



93<sup>d</sup> CONGRESS  
2D SESSION

**H. R. 15476**

IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 1974

Mr. HAWKINS (for himself and Mr. REUSS) introduced the following bill;  
which was referred to the Committee on Education and Labor

**A BILL**

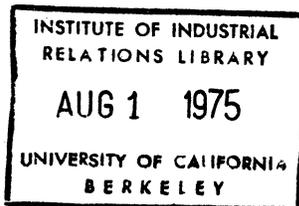
To establish a national policy and nationwide machinery for guaranteeing to all adult Americans able and willing to work the availability of equal opportunities for useful and rewarding employment.

A FULL EMPLOYMENT POLICY FOR AMERICA

A Symposium at UCLA,

October 13, 1973

Edited by Paul Bullock



Manpower Research Center  
Institute of Industrial Relations • University of California • Los Angeles

Los Angeles 2 July 1974  
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\$3.00 each from the Manpower Research Center,  
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*These Proceedings are dedicated to the memory of*

**Russell A. Nixon**

**1913 - 1973**

## FOREWORD

The Symposium on Full Employment Policy, held at UCLA on October 13, 1973, focuses upon one of the most critical and controversial issues of the current period. Intended to stimulate thinking about and informed consideration of pending proposals to establish a federally enforced "right to a useful job," the panels were organized around the major areas of concern in relation to full employment: the macroeconomics of that policy, its possible relationship to the so-called "secondary labor market," the role of public service employment, and the essential political and administrative components. Panelists represented a mixture of academicians and practitioners, each chosen for his or her expertise or experience in economic thought or policy making. The audience was similarly heterogeneous, although the symposium basically is directed to specialists, mainly in the social sciences, who have an interest in the economics, politics, and sociology of full employment.

The sessions, sponsored by the Institute of Industrial Relations with the cooperation of the office of the Vice Chancellor for Academic Affairs, the Institute of Government and Public Affairs, and University Extension, had been first suggested by Congressman Augustus F. Hawkins of California, major sponsor of the legislation, and the late Russell A. Nixon, then Professor of Social Policy and Social Welfare and Chairman of the Social Policy Area at the School of Social Work, Columbia University. On June 20, 1974, Congressman Hawkins introduced "The Equal Opportunity and Full Employment Act of 1976," which embodies much of the thinking and several of the suggestions expressed at this symposium and at subsequent conferences elsewhere in the country. The UCLA discussions were based upon a preliminary draft of that measure, circulated to all participants by Congressman Hawkins. For this edited transcript of the symposium proceedings, Congressman Hawkins has written a special introduction and a summary of the provisions of his bill. The text of the full legislation, as finally introduced in Congress, may be found in the appendices.

In editing the transcript, we have eliminated or revised some parts of the discussion but, essentially, we have retained the original language or have taken care to preserve the thrust of the speakers' remarks. Along with the transcript and the added comments by Congressman Hawkins, we have included discussion papers by Professor Peter Doeringer of Harvard University and myself; the text of an address made by Vernon E. Jordan, Jr., Executive Director of the National Urban League, to the League's 1973 annual convention; and an article by Professor Bennett Harrison of the Massachusetts Institute of Technology, William Spring of the staff of the U.S. Senate subcommittee on Employment, Poverty, and Migratory Labor, and Harold Sheppard of the Upjohn Institute, which appeared in *The New Republic* and was discussed briefly by Professor Alan Sweezy of the California Institute of Technology during the opening panel.

Publication of these proceedings would not have been possible without the invaluable and indispensable assistance of Felicitas Hinman, the Institute's editor who performed the final editing of the transcripts, and

my secretary, Monika Weber, who originally transcribed the tapes and typed this published version with typical skill and efficiency. Joan Gusten and Lily Robillard, both of the Institute's staff, also deserve thanks for their timely assistance in proofreading. The impetus for the symposium came largely from Professor Nixon, who died only a few months later. Russell Nixon, whom I proudly could call my friend, was a dedicated pioneer in the area of full employment policy, tirelessly volunteering his time and resources to this important cause. These proceedings are dedicated to his memory.

Paul Bullock  
Research Economist  
Institute of Industrial Relations  
July, 1974

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- V. Full Text of H.R.15476, "The Full Employment and Equal Opportunity Act of 1976"

## Introductory Remarks

*Congressman Augustus F. Hawkins*

Thirty years ago, as the war-time election of 1944 came close, both the Democratic and Republican candidates pledged themselves to "jobs for all" in the postwar period. To carry out that pledge, a full employment bill was introduced in the Congress aimed at assuring to all Americans able and willing to work "the right to a useful and remunerative job in the industries or shops or farms or mines of the nation." A little over a year later, after intense debate the Employment Act of 1946 was enacted into law.

Under the Employment Act, America took two important steps in the right direction. First, it expressed the country's determination never again to tolerate a mass depression. Second, it set up the first beginnings of democratic machinery for national policy making and planning: an annual Economic Report of the President; a Council of Economic Advisers to help the President; and a Joint Economic Committee to review the President's proposals and outline needed lines of congressional action. Under the Act, the federal government developed significant policies and programs of economic growth, the kind of growth that served to guarantee expanding prosperity for the larger corporations that became ever more important in the economic life of the country.

Important though these steps were, much more remains to be done. The brutal fact remains that the full employment levels achieved during World War II have never again been attained. Official unemployment has always stayed far beyond any tolerable level of "frictional" unemployment --and unemployment among Blacks and some other ethnic minorities has always been at least twice the White unemployment levels. More striking, for every ten people officially counted as unemployed, there have been at least twenty or thirty additional people--women, older persons, younger people, the handicapped, and others--who are able and willing to work but not actively seeking work and not counted as members of the officially-estimated "labor force."

One of the great achievements of the UCLA conference on full employment is uncovering the existence of this large group of people, and suggesting the vast potential they have for providing needed goods and services and for relieving the inflationary shortages and bottlenecks that inflict themselves upon all strata of American society.

Another achievement of the UCLA conference is stressing the difference between the narrow, statistical idea of "full employment" measured in terms of some "tolerable" level of unemployment and the more human and socially meaningful concept of personal rights to an opportunity for useful employment at fair rates of compensation. For many of us, the difference between these two approaches is being clearly defined at this conference for the first time.

Above all, the conference brings together scores of men and women of good will from many different walks of life for a full and frank airing of the complex issues involved in any rededication to the goal of genuine full employment and the implementation of basic economic rights.

On behalf of the many members of the House and the Senate who are in the forefront of new employment legislation, let me express our appreciation to those who take part in this conference. I look forward to similar conferences on many other campuses throughout the land.

**Panel I**

*Macroeconomics of Full Employment*

*Bertram Gross*, Distinguished Professor of Urban Affairs and Planning at Hunter College and Professor of Political Science at the Graduate Center of City University of New York

*Alan R. Sweezy*, Professor of Economics, California Institute of Technology

*Charles C. Holt*, Director, Unemployment and Inflation Research, The Urban Institute, Washington, D.C.

Discussant: *Loughlin McHugh*, Senior Economist, Joint Economic Committee

## Introduction to Panel I

Economists divide their field of specialization into two parts: "macroeconomics" and "microeconomics." This panel focuses on the first part, which can be broadly defined as the economics of aggregates such as national income and output, money supply, general price level and interest rate, and employment and labor force. The "microeconomist," on the other hand, concentrates on the particular and individual aspects of economic behavior: prices and wages in the firm and in industry, for example. The basic purpose of this panel discussion is to identify and analyze the role of general economic policy in relation to a "full employment" guarantee.

All of the panelists have been influenced, in some degree, by the thinking of John Maynard Keynes, the renowned British economist whose seminal work--*The General Theory of Employment, Interest, and Money*--revolutionized much of economic thought in the 1930s. Keynes demonstrated that the classical *laissez-faire* economics did *not* assure full employment and that positive governmental action, through fiscal and monetary policy, is needed to stabilize the economy at high levels of employment and production. Professor Sweezy and Dr. Holt, with the support of Loughlin McHugh, focus on the possible application of Keynesian economics to the problem of maintaining full employment under acceptable conditions in the 1970s. Professor Gross goes beyond this consideration, questioning some of the assumptions underlying this somewhat more conventional approach. In particular, he challenges the traditional definition and usage of the "labor force" concept.

There is, of course, a certain amount of circularity in the accepted definitions of "labor force," "employment," and "unemployment." At any given time, the size of any one of these variables depends upon the trend and magnitude of the others. The labor force, for instance, will vary in accordance with the number of unemployed: when there are a greater number of desirable job vacancies and fewer jobseekers in the prevailing market, more persons will tend to enter the labor force in search of work. When the opposite condition exists, there are significant numbers of people, otherwise willing and able to work, who are defined as being "out of the labor force" (that is, neither "employed" nor "unemployed").

Professor Gross finds these definitions unacceptable for purposes of public policy, arguing that they seriously understate the volume and severity of unemployment and obscure the existence of large numbers of Americans (especially, women, minorities, and both the young and the old) who need and will accept employment if and when it becomes available on decent terms. Professor Sweezy and Dr. Holt are less concerned with matters of definition, preferring to concentrate on ways by which national economic policy can be formulated so as to minimize the number of persons now defined as "unemployed."

The members of this panel also discuss the question of "structural" versus "fiscal-monetary" approaches to the problem of unemployment. The structural policy emphasizes improvements in the operation of the labor

market, attacks on discrimination and other barriers to fair employment, and "investments in human capital" such as education and training. The fiscal-monetary solution, based on Keynesian doctrine, stresses the use of governmental budgetary, tax, and monetary measures to prevent mass unemployment. All panelists find *both* approaches necessary and complementary, and agree that Keynes himself was well aware of the need to deal with structural problems. This point will be expanded in the summary.\*

Another complex question considered by this panel relates to possible trade-offs between unemployment and inflation. In graphical terms, economists often illustrate this by means of a so-called "Phillips curve," showing the amount of general price rise associated with any given reduction in the unemployment rate (the original curve related changes in unemployment to changes in *wages*). The panelists agree that "full employment" policies should be accompanied by appropriate measures to moderate accompanying price increases (perhaps even including direct controls on prices, wages, and other payments to factors of production), but oppose any policy which would permit high levels of unemployment as an "anti-inflation" weapon. Again, the implications of such conclusions will be considered more fully in the summary.

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\* Within the economics profession, strong argument rages between the so-called "fiscal" and "monetary" schools, with the "fiscal" economists closer to Keynesian economics and the "monetary" theorists closer to neoclassical doctrine. The details of this dispute need not concern us here.

*Bertram Gross*

I thought I might start by reviewing what the term "full employment" has meant to various people. To me, and to many sponsors of the original full employment bill back during World War II, full employment meant a condition of human freedom in which every adult person, woman or man, able and willing to work, would have a choice among available opportunities for useful paid employment, with serious opportunities for personal development and advancement. Very specifically we had experienced this during World War II. Full employment for us was the continuation of the labor shortage situation in which anybody could walk off a job and get another one. This was a form of human freedom which was brought to us by the horror and mutilation of the war. The question we faced was whether we would return after the end of that horrible episode in human history to the equally horrible, although less bloody, episode of the Great Depression from which we escaped only through World War II.

But "full employment" turned out also to be something else. It became a rhetorical term to cover up other objectives that were much less than full opportunities for every adult, able and willing to work, to have choices and options. It was a rhetoric to cover up something which I think was rather important--and I am not against rhetoric in all circumstances, by any means--it was a rhetoric to cover up the fundamental objective which was crystallized in the enactment by Congress of the Employment Act in 1946; namely, to say "never again" to the thought of mass depression. It was a rhetoric which was used to legitimate the firm commitment of both parties never again to have the collapse of the American business system, never again to face the kind of catastrophe which would shake the very confidence of both people and leaders in the maintenance of a capitalist system. One might say that the objective which made the Employment Act of 1946 historic was achieved because, since 1946, neither in the United States nor in any other Western capitalist country has there ever been a mass depression or a threat of a mass depression. I well remember the day--or the month--at the Council of Economic Advisers when, as we surveyed the problem of what would come after the postwar inflation, we knew it could not be depression. From a journalist we picked up the word "recession." So, we moved under this commitment of "never again a mass business collapse" to a world of small recessions and a managed business cycle.

Under those circumstances, "full employment," which started out as a vision of human freedom for every adult person, became crystallized technically and professionally into a statistical artifact. This statistical artifact moved attention away from jobs and paid employment to the "tolerable" level of unemployment artificially defined as--depending on whether you want to call yourself liberal or conservative--being somewhere between 2 and 6 percent of between 59 and 62 percent (that is, the so-called "labor force") of the adult population. Whenever anybody talks about 3 percent or 4 percent unemployment, the statement has no meaning unless one knows percent of what. And that "percent of

what" is of the total of those in paid employment plus those who have been officially certified as seeking employment in the last 30 days. In many other Western countries, where there is more female participation and a larger labor movement to exert more countervailing pressure on the corporate powers, the proportions in the labor market are significantly higher.

About 29 years ago, when FDR and a fellow by the name of Dewey were running for the presidency, the goal was stated in statistical terms that were more relevant. Instead of going into this percentage of an unstated, undescribed, unanalyzed, and too readily accepted artifact, instead of saying it in these terms, President Roosevelt set the objective--which was then decried by conservatives as utterly ridiculous--of 60 million peacetime jobs at the end of the war. The emphasis was where it belonged. It was on employment. We achieved 60 million postwar jobs, but not until approximately at the end of the *Korean* war. This was done through a combination of factors: the growth of the military establishment and the military budget; the growth of the multicontinental "free world" trading bloc as the Americans moved into the vacuum left by the British Empire and the other colonial empires; and by the expansion of welfare state and social service expenditures, and by still larger "welfare" expenditures for corporate business.

Today, I believe, we must go back to the definitions that animated the movement for full employment when people experienced it for the only time in this century. I think we must begin to think, for the period from 1977 to 1980, of well over 100 million jobs in the United States. One hundred million jobs plus, as distinguished from the 86.7 million today. And, by the way, I include military employment, which must be counted in any global analysis, particularly if it is not to be taken as a given. We need a shift in the composition of total employment--from 86.7 million total paid employment today to over 100 million jobs, with a smaller military component and a much larger component of part-time jobs with full fringe benefits as well--to accommodate the many women, older people, and young people whose life necessities point in the direction of good, rewarding, attractive part-time positions.

I submit to you that outlining a 100-million plus job objective presents a huge challenge to those of us who have been involved in the technical prerequisites of any serious full employment policy. But, of course, if that goal is to be approximated--let alone achieved--a reordering of priorities, to use a popular phrase, is not quite enough. This is one of the reasons why I am so happy with this conference. *I think we need a reordering of our minds, a reconstruction of our concepts*, so that we think not merely as technicians in a very narrow sphere, but in the broader context of truly human needs. This requires, as I see it, our going further along the pioneering road already developed by some of the participants here, those who have realized that the current measures which define unemployment out of existence can be coped with only by a new approach to the counting of the underemployed, the unemployed, and the nonemployed who are able and willing to work. To be very specific: if 61 percent of almost 150 million adult Americans are in the "labor force,"

what about the other 39 percent, or more than 50 million people? Who are they? What are their desires? Why are not more of them in the so-called "labor force"? Why are they not brought into the structurally defined labor market?

Answering these questions is a huge task. The steps in this direction that have already been taken are very impressive. Some of you here have worked on the idea of "subemployment." Some of you here are familiar with or have worked on the idea of "total employment" as developed by the Upjohn Institute's report for the Department of Health, Education and Welfare on "Work in America." But neither of these new approaches is sufficient. We must go further. We must begin to think: what are the labor potentials of America? What are the wasted abilities and what are the wasted services in goods that are not provided because so many adults have had no opportunity even to think of choice among alternative job opportunities?

I referred earlier to the Employment Act of 1946. I have been interested as a political scientist in how it happens that this legislation has been damned as a meaningless scrap of paper, and hailed also as a major historic advance in the real constitutional framework of American society. If you ask which position I take on this, my answer is "both." It *was* historic. But it was also much less than indicated by the rhetorical use of the term "maximum employment"--which is just as good as "full employment"--or by the rhetorical terms about providing opportunities for all those able and willing to work.

To restructure our minds, we need an element of national leadership which can get national attention to fundamental human needs that may be related to professional technicalities, but must stand above them. And for this, I submit, we can look to no one else but the members of Congress. I am delighted that Representative Augustus Hawkins, who has been the outstanding leader thus far in a very serious effort to reshape employment policy in the United States, has taken time off from his very heavy schedule in Washington to be with us at this conference. The kind of legislation which Representative Hawkins is developing with unusual care and dedication is one--if I can read his mind correctly--which says: let us utilize the machinery of the past; let us build upon the structure of the Employment Act with its mandate on the President's Annual Economic Report, with its Council of Economic Advisers, with its Joint Economic Committee. Let us build upon that, but subject it to a genuine policy mandate for *real* full employment and build into it the missing administrative machinery to provide *a genuine job opportunity for everybody able and willing to work*. I've seen two alternative bills that Representative Hawkins is now considering and, while I can argue on small points as well as anybody else, I would say either one of them is already an historic measure. And I believe that those of us who are interested in this subject should pledge to him and to his cosponsors our full dedication of effort over the considerable period of years that will be needed to clarify this fundamental reorientation of American priorities and our concepts of public policy.

As a final comment on this, I would say that the issues raised by Congressman Hawkins and his colleagues are not narrow. They are not manpower issues in the technical sense. They are not employment issues in the technical sense. Who is there who can tell me that the Employment Act of 1946 dealt with manpower policy only and did not deal with foreign trade, and with national resource conservation, and with regional development, and with problems of inflation and the balance of payments? If you tell me that and you are right, then President Truman should have discharged his first Council of Economic Advisers and the first staff, because the essence of a genuine employment policy--and this is the touchstone--is that it involves comprehensive economic planning touching upon *every* sphere of policy. That has been the content--whether you like it or not--of the whole sequence of messages sent by the President in his Economic Report and prepared by the Council of Economic Advisers over more than a quarter of a century. When we get together as technicians on full employment, we tend often to retreat into the narrower bag of the manpower technician--a very important area of expertise, but much less than what is required, in the broad scope of the Hawkins philosophy, in thinking of something like one-hundred-million-plus jobs in America shortly, by 1977.

Furthermore, a measure of this type deals directly or indirectly with every issue of public policy. You are touching crime and addiction at its most critical and delicate source. You are dealing with the expansion of the arts in the most fundamental manner. You are dealing with the need for a different kind of transportation system. You are dealing with health. In a certain sense, you are dealing with almost everything. This is one of the reasons we must not kid ourselves about the scope, the imagination, and the dedication involved in such an effort. Above all, we are dealing with a measure which is not in the tradition of some of the well-meaning activism of the late 1960s, which is not merely an effort to help minorities. It is a *majoritarian program* which--if only partially successful--will be of more meaning to the 80 million or so people who are employed and will have that additional measure of security and confidence resulting from a full employment market than to those who are able and willing to work, but are not working. It is of fundamental significance to the largest group of people able and willing to work, but not working for pay in this country--women. It is of most critical need for people over forty-five or fifty-five in the United States. And, of course, when I say it is a majoritarian orientation, I am saying that it is a politically feasible approach--and in my judgment, under the American system, the only politically feasible approach--to deal with the overburdening horrible problems faced by the minorities in our country, whose opportunities have been so tremendously restricted by our failure to carry through on a program of genuine full employment.

Finally, I urge all of you to think, both in your professional capacities and as citizens, of the human meaning of employment options for every individual, in terms of the human freedoms dealt with by a measure of this type, at a time when some of us--whether because of a paranoia or a realistic reading of events in Washington--feel there is a tendency in this country to glide slowly and silently down the road to a new style of neo-fascist serfdom.

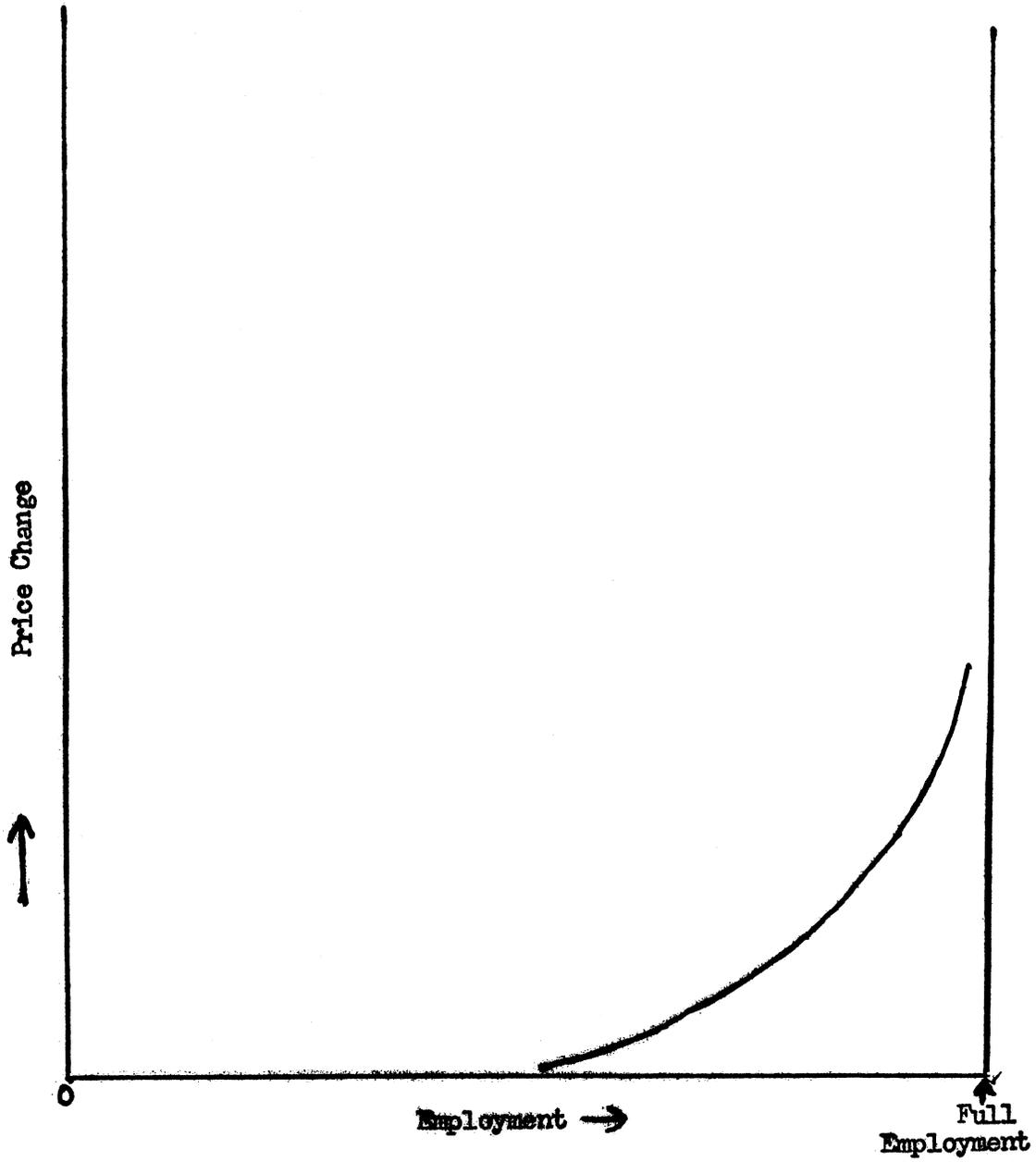
Alan Sweezy

I heartily endorse what Bertram Gross has said about the broad significance of this legislation. In recent years I have spent most of my time working on population problems, and in that context I have been very much aware of the problems of resources and the environment. I even find it difficult now to talk about growth in the economy without cringing a little as to what kind of things we are getting into if it is said we should continue to grow. Even growth to a hundred million jobs raises some disturbing questions. However, this morning I am going to lapse back into my earlier role as a macroeconomist and concentrate on a few basic aspects of macroeconomics which may be useful in setting the stage for our further discussion of the really important things that are involved here.

I started as an economist back in the 1930s, that glorious period when Keynesianism burst on us and solved so many--or gave us a framework for organizing and clarifying so many--of the problems which had been puzzling us up to that time. Out of this, of course, came the idea that we do not have to accept unemployment in our economy as an act of nature, that unemployment is something we can do something about. Keynes gave us an analytical framework which indicated in specific terms what we could do. I think there have been three stages in the evolution of employment policy, or--if you want to look at it the other way around--policy to reduce or eliminate unemployment. The first was simply cyclical, either to fill in the low periods in our economic activity or to eliminate them entirely through a steady growth policy. The second was a concern that in the process of doing this we were running into a parallel problem of price stability/wage stability, and for a while the focus shifted in this direction. Two years ago, in preparing a paper on the Keynesian pioneers for the American Economic Association, I went back over a lot of the material on the early Keynesian period, including some of the key sections of the *General Theory* itself, and I was struck by one thing: how much of the subsequent discussion Keynes had anticipated, particularly in the matter of reconciling high employment with price stability. It's all there in Chapter 21. Graphically put, the very simple Keynesian model was that employment increases as aggregate demand expands up to the point where we hit the full employment level, and then suddenly there is no further possibility of expansion and we have unlimited inflation if we try to increase demand. Well, that's a very simple model, useful perhaps in the early stage of thinking about the problem, but certainly not useful once you get into the complexities of the way the system actually works.

The third stage--which, as I said, is already discussed in the *General Theory* itself--is that as employment increases, you get not an approach to a limit and then a sudden rise, but at some point along the way prices begin to go up and you get an increasing problem of inflation as demand and employment increase still further. Now, this can be thought of as having two components and Keynes also pointed this out very nicely. One is what we might call the bottleneck component: as aggregate demand increases and employment increases along with it, you run into unevenness

Figure 1



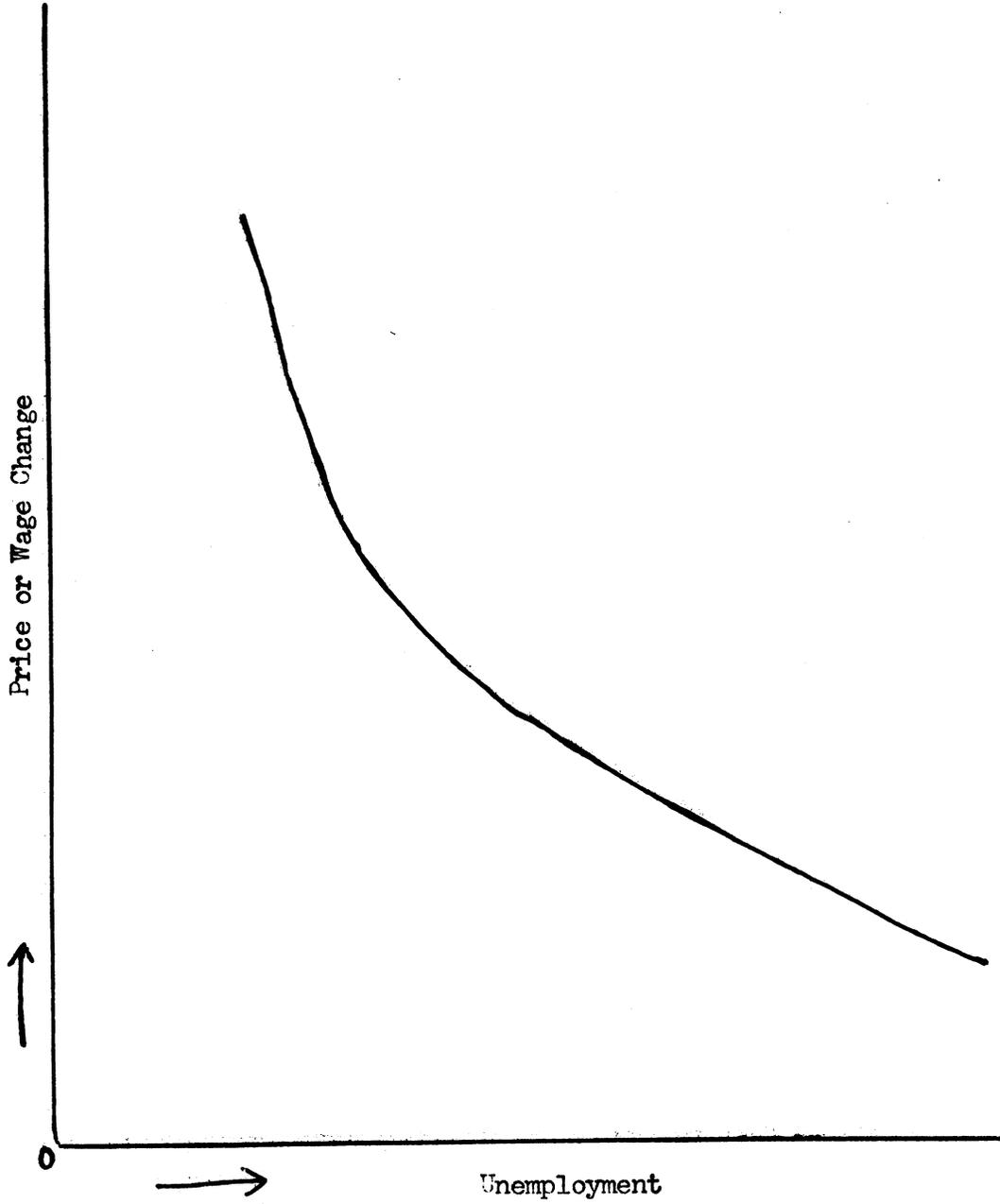
in the labor market, differences in capacity, differences in training, differences in access. This, of course, has led to a great proliferation of research which I shall leave to a third speaker, Charles Holt, who is an expert in this whole area. But in addition to the bottlenecks, you are also likely--as Keynes put it--to run into a period in which the wage unit itself begins to rise. The wage unit was simply Keynes' term, in the context of his theory, for the rate of wages. So, this upturn then has two components: one is a bottleneck component and the other is a rise in wage rate component. In the 1950s and early 1960s this became the object of attention. Then, as somebody put it very nicely in one of the Brookings papers, the federal government's accidental experiment with full employment in the period 1966 - 1969 showed us, particularly in the last part of that period in 1968-1969, that even at what could be considered to be "full employment"--certainly full employment in the sense that there was increasing pressure on prices, and a very strong tendency for the wage unit to change in the upward direction--we still had considerable unemployment in certain sectors of the economy: inner-city dwellers, particularly those who for one reason or another were disadvantaged in their access to the labor market.

This then becomes a third dimension which is of great concern as we talk about full employment: how to draw in the parts of the labor force, or the potential labor force, which have less ready access to employment. Again, I am happy to say that Charles Holt is one of the outstanding people who have done research in this field, and I feel comfortable in turning that discussion over to him.

I would like to remind you of a distinction which is often neglected, which I think is neglected in the *New Republic* article that was circulated by our colleague here, Bennett Harrison [see Appendices]. I put this distinction in the words that Robert Hall, of MIT, used in one of his Brookings papers. He said, "The distinction between movements along the Phillips curve and shifts of the curve itself is especially important. Many of the proposals of the past year"--that was in 1971--"amount to almost pure movement along the Phillips curve." Let me just remind you this is essentially the same as this other chart, but, of course, we put things a little differently in the Phillips curve.

Now, we measure unemployment along the X axis and the degree of inflation along the Y axis. The general idea of the Phillips curve itself--it is one of those remarkable concepts which has turned out to be indispensable as a shorthand way of discussing a complex relation--is simply that as the amount of unemployment decreases, the pressure on prices increases so that the degree of inflation will increase as the unemployment level decreases. Nobody knows just what the curve looks like. Elaborate studies have been made, but they all depend on projecting past experience. Past experience is complex, and it is very hard for us to say with any assurance which of its elements will persist into the future. But it is nonetheless a concept which helps to pull things together.

Figure 2



As Hall's statement suggests, there are two types of movement: one is a movement along the curve as unemployment decreases with an increase in aggregate demand, and the other is a shift of the curve to the left, which simply means that the trade-off would improve and that for any degree of reduction of unemployment we would have a lower degree of inflation. I suggest this is a worthwhile distinction to keep in mind, and in this paper --which otherwise is a very interesting and stimulating paper--I think the authors [Bennett Harrison, William Spring, and Harold Sheppard] do neglect this distinction. They talk about a public-service employment program of ten billion dollars, and about the number of jobs that would be created as a result of the enactment of such a bill. But as far as I can see, this is just sheer increase in aggregate demand. There seems to be nothing about this way of increasing employment which is different from any other way that injects more deficit spending into the economy to bring about a similar expansion of demand. There would be, of course, a reduction in unemployment; there would be improvement all along the line, presumably, in the situation of the unemployed or those who are having difficulty even getting access to the labor market; but in the process we would encounter increased scarcity of certain types of labor and an increased tendency for wages to rise. It would do nothing to improve the trade-off between the reduction in unemployment and the degree of inflation which we would have to accept along with it. What kind of measures would improve this trade-off? Let me just mention the general categories and then turn the discussion over to those of you who know much better than I do how to work in the details.

As indicated in my first chart, there seem to be, broadly speaking, two types of measures which would hold promise of improving the trade-off. One is summed up in the term "wage-price controls," or if you prefer, "incomes policy." I don't think there is really too much difference between them, except that "incomes policy" is a little broader and implies that everybody's income is being controlled. That's one attack on the problem that would hopefully do something to moderate the increase in the wage unit as unemployment becomes smaller. We are having a lot of trouble with it, but I don't think we should jump to the conclusion that it isn't worthwhile. There is always the possibility--and I think it's highly likely--that we would have had a lot more trouble if we hadn't had the controls. The controls probably could be improved, and although I am not an expert in this area, I do believe that if we are going to try to have high employment with low unemployment we will have to have controls.

The other part is how to improve the functioning of the labor market. This involves a variety of measures ranging from training, improving skills, longer education, so as to reduce the heterogeneity of the labor force itself, on the one hand, to the mechanics of the labor market and to what Hall and others call the composition of demand, on the other. All of these measures together would have a chance of improving the trade-off. I suggest that that is perhaps the area this conference is most concerned with.

*Charles Holt*

Professor Gross' sweeping statement of objectives, in terms of what we basically want in our society, is something that I think we can all endorse with enthusiasm. The problem is to face the question of how we can move toward these objectives. I despair, I must confess, when I look at the somewhat crude instrument of what a government can and can't do, on the one hand, to the exhortation that we really need to look at everything. Everything is involved in this problem, and if we are going to make progress the question is how we can in some sense abstract the essence of what we want and relate this to actual, practical things that we can do in government. Now, Professor Sweezy has implied that somehow I am going to solve these problems, but I want to point out my place in the agenda: clearly, the purpose of our panel is to set up the problem and the job for the rest of the panels following is to solve it. But I would like to try to follow Professor Sweezy in chopping this big, amorphous problem, to see whether we can separate some particular issues.

At the risk of gross oversimplification, in terms of objectives on the employment side, it seems to me that we are after income for support for the family, which is associated with employment. Another aspect associated with employment is personal fulfillment--job satisfaction if you will--and the third is personal development. So, these three core objectives, which are certainly not in any sense narrow economic issues, are perhaps the focal point of what we are concerned with.

I would like to start out immediately by asserting that although these sound extremely reasonable and we ought to be able to accomplish them--and obviously to some extent we are accomplishing all of them--there are serious conflicts involved among these objectives in our society. Our ignorance is rather profound about the policy impacts of the various approaches we might take. In other words, when it comes to such questions as how do you organize an effective vocational education program, and how do you organize an effective counseling program, and so on, we have to be extremely humble in terms of the extent to which we really know what we are doing. The problem is to see if we can push ahead in analysis, get down to a somewhat lower level of objectives and associate smaller goals with concrete actions and try to determine which of the alternative courses of action would be most effective.

In beginning to analyze the problem, Professor Sweezy has talked first about aggregate demand, and I think that we need clearly to understand what economists are saying here and what they are not saying. There is nothing magic about a number of 4 or 5 percent unemployed, or the detailed mechanics of the way we collect these statistics. What we are really concerned with, and the issue that is involved, is that if the Federal Reserve Board increases the number of these little pieces of paper we have in our pocket in form of money, we have lots of good

ideas about what to do with them, and in the process of spending we will increase the demand for goods and services, which in turn becomes reflected in the demand for people to increase output. This increases the number of jobs, and in turn affects our ability through employment to accomplish some of the other goals of income and personal fulfillment and so forth. What the Federal Reserve Board does, the government's gross expenditure pattern, and the gross tax revenues all affect the tempo of economic activity and employment.

Now, certainly when you look back at the problem of the 1930s when there was a gross inadequacy of aggregate demand, Keynes put his finger on the problem: what we need was simply to stimulate the economy, and that's a pretty gross problem. It's an aggregate demand problem, and we know a lot about how to handle it. That's a problem of the past, which, in a practical sense, is solved.

Currently we have the more subtle problems of recessions *and* inflation. The long-run relation between inflation rates and unemployment for the American economy is pretty far to the right. That is to say, our Phillips curve is so placed that an unemployment rate much below 5 percent will tend to generate inflation rates that will be considered by many to be high. A permanent reduction of unemployment of only one percent would generate clearly unacceptable inflation. Thus, the inflation problem is likely to become an overriding concern long before we are satisfied with the unemployment rate.

I don't want to quibble over a particular measure. Any measure of unemployment you want to use can be related to other unemployment rates, because virtually all the unemployment rates rise and fall in rough proportions. I am simply saying that we *cannot* solve the problem of satisfactorily achieving our objectives in this employment area by the relatively simple method of expanding money and achieving aggregate stimulation through the whole economy. While it could solve the problem of the 1930s, it is not a policy approach that will carry us very far into a resolution of the problems of the 1970s. For example, if aggregate unemployment were at 4 1/2 percent--which looks somewhat better than we are doing now--the unemployment rate for Black teenage girls is something like 30 percent, which, I suggest, is untenable by any standards. So we can't look for the solution of the problems of concern to this symposium by trying to achieve our employment objectives through aggregate monetary-fiscal policy.

What are the other approaches? Structural improvements can be broadly summarized in two categories: first, try to improve the functioning of the labor market and enhance human development, essentially "lubricating" the processes of the labor market; second, try to inhibit movements of the wage and price process to prevent inflation. If we increase aggregate demand, we want a response in production and a response in employment, but a *minimum* response of wages and prices. In effect, we want to throw sand in the gears of the wage-price change process and we want to lubricate the response of production and employment.

There are a great number of things that can be done in the way of structural improvements. We can try to improve the operation of the Employment Service. We can improve the transition of young people from school to work. We can do more about racial and sex discrimination and more about the segmentation of the market geographically. There is a host of things that can be done, and, indeed, we have tried many of them and we have had operating programs in many of these areas; but we know that, to an uncomfortable degree, these programs are just not as effective as they ought to be.

Having first pointed out the limitations of aggregate demand policies, now I must tell you that, in terms of the manpower and other policies that we have available, we certainly can't look to these as any kind of panacea. There is a great deal of controversy over how effective they are, but maybe we just haven't used them intensively enough. In addition, efforts to control inflation directly have not been very effective, either here or abroad.

I would like to suggest a dimension of this problem which has to do with another important category: the interaction between the aggregate demand policy and the structural policies. If we have a slack labor market, and if we get so concerned about inflation that we operate the economy at a relatively high rate of unemployment, and the worker is in a relatively poor bargaining position in relation to the employer, you can then train people, you can offer them geographic mobility assistance to go from one labor market to another, but such manpower programs will be relatively *ineffective*. Thus, there is a strong interrelationship between demand and structural issues.

The Hawkins legislation puts a good deal of stress on public service employment. Of course, it has an aggregate demand component, as Professor Sweezy pointed out, but it also has a structural component. Presumably, jobs that are created in the public-service segment of the labor market, at relatively low levels of required skill, should have maximum impact on unemployment and minimum stimulus to inflation. This is a program that involves both a movement *along* the Phillips curve and, presumably, a movement *of* the Phillips curve.

I suggest that two fundamental things have been wrong with our thinking about the problems that we face in the 1970s: first, we have been neglecting structural programs and policies, in the important sense of not bringing real creativity and resources into them; second, as I have argued above, we have not appreciated the extent to which there is a strong and continuing interaction between what we are trying to do in the aggregate demand area and what we are trying to do in the structural area.

I would also like to note about the other side of this picture of "a job for everybody," that every job has got an employer, that a job is really somewhat like a marriage. There is a certain relationship involving an employer who is concerned with output, productivity, and labor cost, whether it is a planned or a market economy situation, and there is the worker who produces an output and gets some kind of compensation for it, and gets some job satisfaction from it. To the extent that we are facing structural problems in the way we match our human resources and our human aspirations, on the one hand, for participation in the production process with employers who are concerned with the production of goods and services which we then want to consume on the other side, we are concerned with getting our money's worth, so to speak, and that is reflected back onto the employer's concern with efficiency in the production process. You can't look at this employment issue just from the point of view of "a job for everybody" and be blind to the other aspect--the productivity and the output, and so on.

A great many of our manpower programs are somewhat unbalanced in this respect. For example, in recent years we have asked the Employment Service to do something about placing disadvantaged workers, and this has to some extent put it in a position of offering less in the way of services to the employer. The employer, however, being in business to make money, says, "What can the Employment Service do for me? All it can do is send me a lot of people who may give me employment problems." Hence there is not the desirable mutuality in the way that the publicly supported program interacts with the private economy and the private employers concerned. One of the areas in identifying kinds of programs or policies that will work takes us back to Professor Gross' advice. These problems are big and all pervasive, and, as I said, we cannot approach them in their full generality. There are certain parts of the problems, however, you can't throw away; you just have to face and deal with them. And one part you have to face is this interaction between the employer's side and the worker's side.

With regard to this legislation, I'd like to bring some insight bearing on the way the labor market operates and stress a few points. I know a lot of people here don't like talking about unemployment, but, to some extent, that's an index on how well we are doing in meeting the employment objectives. It is important to recognize that unemployment--however you measure it--is influenced by two dimensions: mainly, how long it takes to find a job, and the flow of people through the labor market who are looking for a job. And if we consider that there are a lot of job vacancies, and there are a lot of unemployed workers, and both finally get matched up and the unemployed get jobs and are employed, we know that there are about four million people in the American economy in this presently unemployed category.

One of our largest industries in this country is people looking for work. I don't know if anybody here has been through this. It's not a very pleasant experience, usually. Sometimes it is very rewarding, but

it can often be psychologically very **damaging** and wearing, and I would suggest that the productive output is probably *not* worth having this number of people involved in the process. We ought to do something about it, but the only thing that makes it not quite as bad as it might be, is that people get through this process on the average of about one month. So, you know it is pretty unpleasant while it lasts, but it doesn't last too long for many people.

However, with a total of about 80 million people who are employed, in the course of a year several million people flow through this job-seeking or jobchanging process. If we want to say we are concerned with the stock of people in this process, there are two dimensions I would stress: one, how long it takes to get through it and the other, how many people. And when you now think in terms of the welfare implications of unemployment, it is pretty important to distinguish between the two dimensions. It is probably much worse to have one person unemployed a year than to have four people unemployed three months apiece, in terms of the impact and so on. At any rate, I think one of the problems we need to spotlight is *job search time*.

Another problem we need to spotlight is the turnover process. Many people, of course, leave the labor force altogether, and then there is an offsetting flow of people back into the labor force. Much turnover is associated with at least two kinds of factors: One is an employment relationship that the worker terminates, partly because the job is not satisfying or, alternatively, it's not rewarding in terms of his own personal development; he has learned all that his job has to offer, so he is ready to move into another job. Here the turnover is associated both with job satisfaction and human development. The duration of the search also has to do with jobseekers' efficiency, the segmentation of the market, whether all the markets really are open to people, and so forth.

What kind of improvements could be made in this whole range of problems? One consideration is that Congress and the executive branch of the government certainly do not constitute, by any means, a precision operation to regulate the aggregate level of demand, and whatever level you choose in terms of the amount of economic stimulation you want in the economy, we are not really very good at delivering the product in a timely way. At least there is room for improvement, and this, of course, is a subject of keen debate now between Congress and the executive agencies and there is legislation seeking to improve that kind of process. Another consideration involves a whole set of programs and policies oriented toward the structural side, and there is now relatively little thrust here. The public service employment is an important ingredient of a structural program, although I would be a little reluctant to put too much weight on it; the structural problems characteristically all interact pretty strongly with each other. For example, a person may be kept out of a good job because it is hard to get to in terms of transportation, or there may be sex discrimination, and if there is also a need for training, public policy may approach the issue only in terms of a

transportation problem and a training problem; you may set up programs that deal with only two of the three barriers. As long as there is one barrier remaining, you will have relative ineffectiveness. There is strong interaction among such programs, and I would think there is a real danger in trying to make any one of the programs carry too much weight. So, the job is certainly not being done adequately in relation to the aggregate demand question, and an adequate job is certainly not being done in the structural improvement area.

Now, there are two aspects that might be added to this legislation that are really much more straightforward, almost mechanical: There is need to forecast in a fairly systematic way--on a local geographic basis and including occupational details and so on--what the labor market requirements are likely to be, what the supply is, what the demand looks like, so that whoever is going to be taking action, at both the national and the local level, has better information to work with. A second need is connected with the fact that we pass legislation in all kinds of areas. You name any bill and usually it has manpower implications. It would be desirable to attach not only a budget analysis on how much this is going to cost, but also to require as a matter of routine a screening of what the *manpower* impact of this bill would be. I am really trying to be more "planningful" in this whole area.

Finally, as to this question of ignorance, I think most people who will speak today will admit that we have an awful lot to learn here, in trying to close the gap between what we want in the way of policy objectives that are very reasonable and what programs and policies we can implement that a government bureaucracy can reasonably carry through and make work. It is now nobody's job, really, to carry forward the research and the experimentation in generating the knowledge we need to solve this problem. One of the ironic things about the Council of Economic Advisers, which is supposed to have an analytic function, is that it has no research budget. If you talk with them, they will very candidly say, "You know, we are too busy to do any research," and they will furthermore say that most of the work done in the universities is done at a level of hind perspective, and thus it is seldom of very much use. They will look at something like the Brookings Economics Panel and say, "Well, that's getting close, but still that is not very useful." On the one hand, they are doing nothing; on the other hand, they are saying that our needs for applicable research are simply not being met. One dimension I would suggest adding to the legislation is to give more recognition to the fact that these problems are as difficult and complicated as they are important, and that we really ought to be doing something on that front. Research is badly needed into many approaches, including market power, controls, etc.

In conclusion, the proposed legislation is likely to make a useful contribution to lowering unemployment, but there is some danger that it may contribute to inflation--a price I would be willing to pay. In any case, it should not be thought of as a simple panacea.

*Loughlin McHugh* (discussant)

I am of the opinion that we don't know anything about fiscal policy as it is being practiced today. I'd like to have somebody tell me what is fiscal policy in the present Administration, except in one direction, and that is to make sure you balance your budget and, if necessary, reduce demand so that we will cut down on inflation. "Inflation" is the big word today, and "unemployment" goes out the window. Now, Professor Holt did mention monetary policy, and I got the impression that there was no problem at all, that we can tell the Federal Reserve what to do and they'll go right out and do it. That isn't the way things work in Washington.

I just want to say a kind word for Lord Keynes, following up on Alan Sweezy's point (incidentally, I was a student of Sweezy's), and that is that Keynes was not just a monetary-fiscal man. Keynes recognized these other problems, structural problems and so on, and as a present-day Keynesian, which I still think I am, I would support the general proposition of Bert Gross' that we have to look at everything. I would add, however, let's not look at *too* many things, because if we adopt this kind of an approach we may be giving our policymakers their own choices about what it is that they want to do--and this is one of the last things that I would have the Congress do.

I believe we are in for a permanent incomes policy, wage-price controls. I don't think there is any question about that, except in the minds of the present executive branch. We ought to include all three of those measures--wage-price controls, monetary policy, and fiscal policy--when we are thinking of getting unemployment down to as low a level as we possibly can. I don't think that Bert's idea of 100 million jobs by 1977, or thereabouts, is particularly way out in left field. It seems to be a very reasonable proposition to be working on, and it isn't going to bring about a much larger increase in the labor force than we have at the present time.

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*Bertram Gross*

May I make a feminist statement? There is nothing wrong with existing (unemployment) figures, except that they deal only with the officially recognized certified unemployment in the same fashion that the medical establishment tends to define sick people as only those who see doctors, and policemen say that crime is what police officers report that people report to them. Now, the total number of women not working for pay (in and out of the "labor market"), who are able and willing to work, has never been looked at by the Department of Labor. There is a concept which is missing here, which the Labor Department and the government officially decided they would *not* make a subject of statistical investigation: this is the idea of "the labor reserve"

made up of the people who are not participating but who could be drawn upon, if necessary, if the market were developed to provide opportunities that would be attractive. In that labor reserve there must be at least 37 million women. Based on a few isolated studies that have been made indicating that even women on welfare--and I must say we have to put up the number to almost six million adults on public assistance of various types--we find that of them, the majority would be willing and able to work if facilities were available to take care of their children. Many of them would be willing to receive no pay beyond what they get on welfare; they would prefer to get out of the house and really think they are useful and needed.

This figure is fundamentally a statistical monstrosity to fool yourselves and help mislead the American public. Forgive me for being brutal about this, but it has nothing to do with serious measurements of the available supply of human power, female or male, in the United States. It has very little to do with the Phillips curve, although fundamentally the relationship between wages and certified reported official unemployment is correct, that is, if you decrease real unemployment the wages are going to go up, and if you increase real unemployment that will tend to depress wages. There is nothing wrong with that interpretation. However, you shouldn't use it as a way of saying "we can't afford to have more employment because more employment necessarily must knock the daylight out of the living standards of people on pensions," which is the excuse being made.

You really have to ask yourself, what is the supply of labor? Was the labor force concept developed to measure the available supply of labor? Dr. Gertrude Bancroft, who wrote a major work on this and worked on it in the Census Bureau, said, "No"; the government decided that it didn't need during the depression a measure of the available supply of labor or of the labor reserves. It needed an operational guide for WPA policy, to help figure out how to handle the people who were knocking on the doors. And, inevitably, women have been done in by this. Now, of course, they are beginning to look at this problem more carefully and consider how to measure it more properly. Also, this figure does not include two to three million of minorities who are not counted and who are either "pushouts," "dropouts," or "keepouts" from the so-called labor force. I'm sorry to have intervened here, but this is not quibbling. It is a very fundamental question of what you are measuring, what your purpose is. There is a purpose behind measuring the official labor force, but that purpose does not relate to looking at the potentialities of Americans to develop or to provide the services and goods that Americans may feel they need. And "labor force" data have *never* been based on *any* effort even to inquire how many Americans may be able and willing to work.

*Bennett Harrison* (a comment from the floor)

I should like to make two points about the theory of structural unemployment and the inflation-unemployment trade-off. When American economists (especially Samuelson and Solow) began to apply the Phillips hypothesis to American data in the early 1960s, the so-called "Phillips curve" became cast in terms of some direct relation between price changes and the level of unemployment. That is not the original Phillips relation at all. Rather, Phillips' hypothesis related unemployment to *wage* changes; as unemployment fell, the labor market would become tighter and the bargaining power of labor would increase, producing an inverse relationship between wage change and unemployment. It takes an additional step to map these wage changes into price changes. The step that's needed recognizes the existence in the American economy of a great deal of oligopoly, imperfect competition. To the extent that the ability of large numbers of firms to pass along wage increases in the form of higher prices is a serious problem in the economy, we have a more "pathological" inflation-unemployment trade-off. This suggests that, in addition to the labor market policies advocated by Holt, we can improve the trade-off through antitrust policies, or, more generally, policies addressed to doing something about changing the power structure of American industry.

Secondly, in the discussion about structural unemployment in the last several years, a number of people, particularly Barbara Bergman, have suggested an alternative explanation for that relationship between wages and unemployment. I accept that explanation; I think it is crucially important to this conference. Bergman believes that as the unemployment rate of white adult males falls, employers--rather than filling additional vacancies from the rest of the labor force--instead attempt to bid away white adult males from the jobs they already have. This bids up the wages of the "preferred" employed labor force, while other "dispreferred" workers, especially Blacks and women, go unemployed. To the extent that these wage increases become translated into higher prices, the economy displays simultaneous inflation and continuing unemployment.

Panel II

*The Implications of Full Employment Policy for the  
Secondary Labor Market*

*Vernon E. Jordan, Jr.*, Executive Director, National Urban League

*Peter Doeringer*, Associate Professor of Economics, Harvard University

*Fred H. Schmidt*, Research Staff (until September, 1973), Institute of Industrial Relations, UCLA

Discussant: *Bennett Harrison*, Associate Professor of Economics and Urban Studies, Massachusetts Institute of Technology

## Introduction to Panel II

This panel considers the relationship of the so-called "dual labor market" to the possible enactment of full employment legislation. The concept of the dual market is not completely new, but the theory and practice underlying it have been enunciated with special clarity by Professor Doeringer and by Professor Michael Piore (now of the Massachusetts Institute of Technology). By spotlighting some of the most critical problems in the contemporary labor market, it contributes importantly to the subject under discussion at this symposium.

Traditional economic theory emphasizes mobility and competition in the labor market, with free movement of workers among jobs in response to relative changes in wages and in accordance with their respective abilities and productivities. There may be imperfections, due principally to governmental or union policies, but they need not persist in the absence of strong political support. "Dual labor market" theorists have a quite different view: segmentation is an integral characteristic of the prevailing market. There is a "primary" sector, comprising relatively stable and well-paid jobs with career ladders, and a "secondary" sector, mainly composed of unstable, lower-paid "dead end" jobs with high turnover. Typically, in this conception, there is little movement between sectors. Moreover, each firm may have its "internal" labor market, generally protected from competition on the outside. The "secondary" market is largely populated by special groups: women, both the very young and the older workers, unskilled workers, and ethnic and racial minorities.

Vernon Jordan, reflecting the concerns of a leader in the civil rights movement, concentrates upon the strategy for achieving full employment. He discusses the practical difficulties caused by the fact that many whites perceive full employment, social welfare, housing, and similar measures as being directed primarily to Blacks and other minorities, although, to the contrary, white Americans have been the major beneficiaries. Full employment, he observes, is an issue that transcends race.

Professor Doeringer describes the "dual labor market" and some of its relationships to a full employment policy. He outlines those institutional and organizational arrangements within the primary sector which explain the persistence of the secondary market and prevent a permanent transfer of workers from one to the other. In the course of this analysis, he stresses the need for basic structural changes in the operation of the American economy.

Fred Schmidt considers the possible effects of extending the protective aspects of primary employment to workers now located in secondary market jobs, through unionization, unemployment insurance, and social legislation. He also examines the shifts in cultural values which affect attitudes toward employment and careers, and calls for greater flexibility in work schedules, job design, availability of part-time jobs, and so forth.

Professor Bennett Harrison, as a panel discussant, reacts to the presentations of the other panelists, emphasizing the need for considering far-reaching structural reform in the economy. In a further comment, he explains why high turnover in the "secondary" sector may not be of particular concern to employers there.

*Vernon Jordan*

I am delighted to be here. I thought for a time that I was delighted to be back in the classroom, but, as I listened this morning it seems that the classroom, based on what I have heard, is still as esoteric as it ever was. My own position on the issue of full employment is set out on a piece of paper [see Appendices] and I commend it to you; I'll try not to get into that here, except to say that the issue of full employment is for the National Urban League, and its 101 affiliates and five regional offices, a major thrust in the 1970s. It hopefully will be the major thrust for the civil rights movement because we see full employment as a condition preceding most and practically all of the things that Black people want, need, and must have in this society, and if we can achieve that particular goal, then it seems to us that the other problems we are confronted with, whether it is health, education, housing, or what have you, we can deal with. But we cannot deal with anything adequately if we do not have a decent job at a decent wage.

The issue of full employment is important to Black people, is important to the Urban League, because of our historic exclusion from the labor market based simply on race. The Employment Act of 1946 didn't mean much to Black people. It didn't mean much to us because then--and to some extent now--we were, as the old cliché goes, the last hired and the first fired, both in the public and in the private sector. I do think, on the other hand, that the advances of the 1960s, Title VII of the Civil Rights Act of 1964, the Voting Rights Act of 1965, the Housing Act of 1968, all of that legislation and all of the executive orders that were handed down in that period, make a new full employment policy more of a reality and more of something that Black people in this day and time can relate to.

When the first employment act was passed, there was no EEOC; affirmative action were words that only the NAACP and the Urban League talked about. There is now a stronger Black community, more aware of its rights and role, and participating in the decision-making processes of our society. The reality of a new full employment policy makes more sense now as we look to a whole new leadership class in the Black community-- that leadership class being represented by a Black elected official who now sits on a policy-making council that historically has been foreign to us. The new employment policy makes more sense now that we have a kind of new Black management class running government programs and other, private types of programs.

Full employment as an issue for Black people, it seems to me, is also a matter of strategy, because it is clear that we cannot deal with economic development, with Black people in the 1970s, if we argue issues as we necessarily had to argue them in the 1960s. In other words, the issues of the 1960s were basically Black issues. The issues as I view them in the 1970s are issues that transcend race, and the issue of full employment does in fact transcend race and, if pegged on the notion that it is only for Black people, won't wash. It will wash, on the other hand, if it is made clear that the issue of full employment transcends race, it transcends ideology, it transcends sectionalism in this country.

Finally, also, it seems to me that we are interested--and we have to be interested as a Black community--in the issue of full employment, because it is an issue, I think, around which new coalitions can be formed, and new coalitions can be made a reality and can rally. But it has a particular significance to us in the Urban League: there is no question that unemployment, underemployment and all of the problems related thereto have a direct relationship to the whole issue of crime. It has been demonstrated in some cities that cities with the greatest income inequality do in fact have the most crime. There are studies that show that a 10 percent income increase in high delinquency areas may reduce the incidence of crime by as much as 20 percent. So, from that viewpoint, just looking at the issue of crime, we see this full employment issue as one that will benefit and relate to other societal problems.

Now, my concern is something about which I didn't hear much this morning--it is one of strategy. How do we make this issue the overriding national concern? How do we make this issue one of great national debate, not only as it affects Blacks, but as it affects women, as it affects other minorities, as it affects returning veterans? How do we get those who make policy, those who influence policy makers, those who in fact implement policy, to understand that this is an issue that transcends race, sectionalism, and philosophy? I never quite understood how all the congressmen in Virginia and all the congressmen in the state of Mississippi could, in good conscience, if they care about the needs of their constituents, vote to sustain the President's veto on the minimum wage. In Mississippi, you see the need there for some kind of economic stability through the minimum wage.

As I think about strategy, it is clear to me that we cannot have full employment interpreted as a Black program, or as a program that is just going to benefit a small segment of the people. We witness this kind of politicizing in the welfare reform situation, because welfare in this country, unfortunately, is synonymous with Black, despite the fact that the majority of the people on welfare in this country are not black people but are white people. We saw this in the whole discussion about President Nixon's budget cuts. People saw that as an effort to do away with programs that were benefiting, in their minds, predominantly Black people, when the fact of the matter is that when you look at programs from housing to MDTA, two-thirds of the beneficiaries were not black people, but white people.

So it seems to me that, in addition to the very esoteric, very academic discussions we have, we must figure out a way whereby we can rally support around Gus Hawkins' bill, or Jake Javits' bill, on the issue of full employment, to the extent that the most conservative southern congressman, the most liberal northern or western congressman, can look to the needs of their constituencies and on the basis of that see this as an issue they can support. While I have great appreciation for the theories and for the great academic debate, those of us who are activists, those of us who have constituencies that we have to

relate to and who ask, "what have you done for me since breakfast," have to deal with the very basic issue of how we can make full employment not some term, but some meaningful reality in their lives. I would hope that this conference, as it proceeds during the day, will come down from that esoterica and define for those of us who have the problem of dealing with constituencies how we can make this issue real in their lives, and get those who make policies and those who implement policies to make it a reality.

*Peter Doeringer*

When it was first proposed that I speak about the dual labor market and its relation to full employment, I must confess to having been quite hesitant inasmuch as in most of my thinking I had not tried to put those two ideas together. As I came closer to the time when I had to confront this issue, I discovered that, in fact, the problems of unemployment and the dual labor market are indeed quite closely related--that segmented or structured markets do provide insights into the high unemployment we have today and suggest the directions in which public policy should be going. I should also say by way of apology to the noneconomists in the audience and to the practitioners that my remarks may be a bit general and theoretical. However, I have prepared something a bit more precise, including some illustrative examples in a paper which is available at the door [see Appendices]. For the sake of time, I'll make some general remarks without trying to dodge my responsibility at some point for being more specific.

Basically, when we talk about the dual labor market, for those of you who may not have seen the labor market described in this way, we are really concerned with the idea that there is in some broad sense a polarization of the labor market. One sector is the market where the disadvantaged (low-wage workers, members of ethnic minorities, young workers starting out in their work careers, and so forth) find work. This is a sector with essentially dead-end employment; it is dominated by small firms and has a great deal of economic instability, uneven and unstable employment, high turnover, very little chance for training, very little chance for upgrading, and so forth. By contrast, the higher-paid sector--what I have labeled the primary labor market--consists of advantaged workers, where the more advantaged members of the labor force find their jobs. It is generally dominated by the larger enterprise, the larger bureaucratic organization, and the occupational trade union (the building trades unions, typographical unions, and so forth). It is a market governed by institutional rules, a market where employers and unions are actively engaged in providing training and upgrading for the work force. It is also a market where employment tends to be stable and very much career-oriented.

In terms of understanding unemployment, it is in the secondary labor market, the low-paid sector, where we find most of today's unemployment to be concentrated. This is the market where the young workers with high

unemployment rates, the Blacks with the high unemployment rates, and so forth, find their work. Unemployment in the primary labor market, when it occurs, is much more associated with job changing as part of a purposive and systematic pattern of career advancement or with largely temporary, transitory unemployment resulting from the business cycle.

In trying to look at why unemployment is unequally distributed between these two sectors, why there is such dualism in the market, it is interesting to note that this pattern is quite widespread in industrial countries. Forces are also at work in England and in France, in Germany, in Sweden, and in Japan, that produce this same kind of unequal distribution of career opportunities. But in the United States, for a set of reasons which I'll touch on briefly, it appears that this divide is wider than in other countries; something is at work in our labor market that makes it harder to get into a career situation, and that yields higher rates of unemployment for certain groups in the labor force.

The U.S. experience can best be understood by examining the labor market historically. It can be traced to early patterns of discrimination by both race and sex; to a very dramatic history of technological change and innovation, and the kind of training needs that these changes imposed on employers; to some historical factors that have shaped the trade union movement and its effect upon the employment relationship in those sectors; and, I think most importantly for this conference, to the very long history of high unemployment rates, both before and after World War II, and the very wide fluctuations in the economy. We are now observing, in terms of a dual labor market, the result of a series of accommodations which the major labor market institutions--the employers, and the trade unions in this country--have made to a long history of relatively loose and highly fluctuating labor markets. We find that the unions and the employers, in the primary or dominant sector, have developed staffing patterns, training patterns, hiring patterns and criteria, relationships with school systems, and so forth, that are all geared to a high-unemployment labor market.

In fact, the employer-dominated patterns of selectivity, the reliance upon on-the-job training, the kind of stability that one finds in the higher wage sector, are all geared to an economy in which the unemployment rate is generally high. On the union side one finds similar kinds of accommodations: great emphasis upon stabilization of employment, restrictions on lay-offs, control of work opportunities, desire to alleviate the costs of unemployment through supplemental unemployment benefit plans, through various kinds of pension arrangements, and so forth, all of which seek to reduce or alleviate the impact of unemployment upon work and employment in the primary labor market. As a result, the dominant sector of the economy has developed a series of institutional mechanisms which allow it to work efficiently, in both an economic and a social sense, for those of the work force and those firms that have membership in this primary sector.

One result has been that the economic uncertainty, the economic fluctuations in the country, have spilled over into the secondary labor market. They are felt much more acutely there. The other is that the entrance--the ability to gain employment--into this protected sector is generally made more difficult. Because there is a kind of permanent employment commitment, adding new workers and guaranteeing that kind of commitment is a costly activity. Indeed, employers have generally sought to minimize or reduce in a variety of ways the number of workers to whom they have to make such a commitment in a fluctuating economy.

Having proposed this way of analyzing the current structure of labor markets, what are the kinds of policy solutions that one would want to think about, and how do they relate to the proposed legislation that is before us today?

The first solution--and one which seems to be currently in favor in some parts of the government--is to say we should recognize that there are these kinds of labor market structures. This calls for leaving markets alone while trying to adjust our target rate of unemployment upwards. The second alternative, the one which is not a laissez-faire approach, is to say that in order to bring about a reduction in high unemployment, one has to bring about some kind of structural transformation in the way in which the labor market operates and particularly in the kinds of enterprise and union practices that have grown up around the labor market.

From a policy standpoint there are only two ways that such structural transformation can be introduced: You can either take the approach of making the labor market more competitive--trying to get out all the barriers and structural interferences in the market by busting up large enterprises, large corporations, and large trade unions; by abolishing minimum wages, and by dealing with various kinds of welfare programs which interfere with the free workings of the labor market--and thereby abolish market structure. Or you can really try to understand the way in which structure gets created in the economy in the first place, what the constraints are upon changing the existing structure, and how one can extend the benefits which we now associate with the structure of the labor market in the primary sector. How can we expand the primary labor market so that, over time, the amount of unemployment which we associate with the secondary labor market is squeezed to a bare minimum?

In the few minutes that remain I would like to consider this latter approach, the approach of trying to extend the good employment opportunities rather than abolishing structure, which has received much more attention in the policy debates. If one is to think in a practical way about what might be done to extend this protected or sheltered area of employment so that it blankets in groups that are now excluded from it, a policy of full employment is clearly called for at the macro level. Most of the discussions that I am exposed to about macro-economic policy tend to neglect the fact that full employment itself is an engine for structural change of the kind I am describing. It not only eliminates structural

imbalances in the labor market, but also changes the basis for decisions that lead to the structure. We know that as we speed up the economy, employers begin to change their hiring standards; they begin to open up all kinds of job opportunities to groups that were previously excluded; that additional training and upgrading occurs; that certification and discriminatory exclusion begin to fall away in the labor market under the pressure of staffing in the primary sector.

From this we might conclude that merely stimulating the economy--and in particular selective stimulation of the higher wage sector--would gradually lead to a sucking up or absorption of workers out of the secondary labor market and a gradual change in the mix of employment between primary and secondary work. Unfortunately, the limitation of this approach seems to be that after a certain point, particularly in view of the long history of high unemployment and a stop-and-go policy with respect to economic growth, one finds employers and unions not believing in sustained full employment. As a result, there is a reluctance to expand primary-type employment in a straight line fashion. Instead, full employment policy stimulates the primary labor market, but at the same time creates a whole series of new *temporary* employment relationships that allow production to expand without conferring full rights of citizenship to the primary sector. And so one finds increased use of subcontracting to the smaller firms in the secondary sector and the use of temporary employees of various kinds on a casual basis--workers who in a variety of ways can be separated from the shelter of the primary market in the face of a recession.

Thus one needs to go beyond simple macro stimulation and to think much more carefully about structural reorganization at the micro level. This entails more than programs of training, mobility, information, and so forth, that usually come to mind when we talk about structural programs. It requires clear and careful analysis of the whole process of industrial organization in the country. How can one stimulate the reorganization of work and employment in the secondary labor market so that there are larger firms that confer the same kinds of planning and control in employment benefits that we find in the primary sector? How can one extend and encourage the merger of small employment units in the market? What does one have to do to antitrust policy, and so forth, in order to create additional pay-off in terms of efficiency and reorganization of industrial production as primary-sector employment is increased? One could go on to think about micro policies on the employment side, think about the prospects of extending unionization more deeply into the secondary sector than is now the case and bringing institutional change in the secondary labor market. One can think about legislation covering equal employment opportunity, extension or blanketing in of collective agreements, use of quotas, pension legislation--a whole series of regulatory activities that are not normally being counted in the structural policy, but deserve to be considered. There are also, of course, the usual changes that will have to be made in a relationship between employers and unions and the formal educational process, in order again to tie the training system and the work system more closely together.

Let me conclude briefly by saying that for purposes of understanding, or examining, or perhaps sharpening Congressman Hawkins' Act, it seems to me that the initiative which it provides to reestablish a commitment toward the full macro-employment policy is a step in the right direction. However, it seems to me that this Act also underscores the necessity for undertaking much more widespread structural changes if this full employment objective is to be reached. To achieve full employment in this country you cannot merely write a piece of legislation that mandates full employment; that encourages more data, analysis and research; that relabels agencies of various kinds to make it more clear what their job is to do, and so forth; without also providing the kinds of additional legislation and additional recognition of the sources of market structuring (and of the role of unions and employers in creating such structure), that are essential to structure change. In the past, there has been a tendency to believe that you can create changes in social policy by writing a law or issue an order out of a government agency. Unless you are prepared in the labor market area to find some way of understanding and, I think, involving the planning skills, the market power, and the political influence of the market institutions that will be actually called upon to deliver this kind of structural change, unless you are prepared to use the government and the legislative process to change the terms in which the social bargain between structural change and the objectives of unions and major employers in this country is recognized, then you are not really going to be able to have the weapons or the instruments available which are essential to bring about structural change, full employment, and improved economic mobility, in a manner which is consistent with the levels of economic performance in this country.

*Paul Bullock*

Let me just introduce a quick change in the program here because Vernon Jordan has to leave. What I would like to do now, before we listen to Fred Schmidt and Bennett Harrison, is to give him another chance to react to some of the points that Professor Doeringer has made or to other comments, quickly, before we move on.

*Vernon Jordan*

Well, what I want to say relates directly to Professor Doeringer's last point, as he discussed Representative Hawkins' bill. That is, I think he is right that you cannot fashion a bill without taking into consideration the employer and the union; this is very important. Our own concept of the notion of full employment is that it involves a combination of public service jobs, but also a kind of national job and economic development by those people who do the vast majority of employing.

Consequently, it seems to me that you have a very valid point when you talk about the involvement of those people who do the employing, those people who negotiate for the employers in this whole process. Congressman Hawkins' letter to me said that he is open to the kind of suggestions that, I think, have been well put. It seems to me we have felt, certainly in this whole business of affirmative action and equal employment opportunity, that government policy in itself was enough. But it is obvious from the difficulty of implementation that the realization of that broad governmental goal, and governmental policy, cannot be accomplished absent the understanding of the issue and involvement in the issue by people who manage the economy. Gabriel Hauge, who is chairman of the board of Manufacturers Hanover Trust, has recognized, I think, this in a speech that he made recently, where he dealt with the need to involve the basic economic institutions, the employing institutions, in this whole concept of full employment--and I think that goes to the issue, here again, of coalition. There are no big businessmen here, except the former secretary of labor, my friend Jim Hodgson [now, Vice President, Lockheed Aircraft Corporation]. But I do think that that is a valid point, and I do think that those of us in academia, and even those of us who are practitioners trying to implement this idea, forget that all too important element--the people on the other side who have as much a vested interest in this issue as we do.

*Fred Schmidt*

Until the time Peter Doeringer spoke, I had the feeling that I was the oldest man here or else had the longest memory. Not that he is in any sense as old, but my memory goes back to the time when the overwhelming number of jobs in this country were in the secondary labor market. I had the feeling, too, that some of my life experiences had something to do with bringing the jobs into the primary labor market. I recall rather vividly when we had instant full employment, and we had it overnight; it came with such suddenness that it caused all kinds of dislocations in the Louisville cotton mill where I happened to be working at the time. Prior to Pearl Harbor I was working as a cloth trimmer. This is a job that takes about ten minutes to learn. You work with a pair of scissors trimming a roll of cloth running over a reel. If there ever was a secondary labor market job, that was it. You got hired through the shape-up in the morning in front of the plant gate: it was "you, you, and you," telling you that you worked that day, and you worked with that pair of scissors. I inquired about the possibility of becoming a weaver and was told that that was impossible, that one learns to weave from one's father. All the weavers in that mill came from Georgia--and were white.

Well, what happened was that the government one day announced that it was going to expand Fort Knox and do away with the horse cavalry and that we were going to have armored battalions. I want you to know--and it's literally true--one third of the weave room did not report to work the next morning. Those who did not report for work became instant carpenters, having "passed" a seven-year apprenticeship program overnight and starting payment of their initiation fee on the installment plan. My guess is most of them have since been carpenters, once getting out of being a lint-head. Now, that's something of a dramatic illustration of what can be done in terms of structural change when there is an accelerated demand for labor and a demand for change. The high thresholds, like apprenticeship, which determine who gets what and how much out of the labor market, suddenly disappear.

I am reminded of something that happened during the same period. Things were booming all over for a while, and the Dupont bag plant right across the river suddenly enlarged and was taking on a lot of people--many of them women who had never worked before. They were bagging the gun powder for naval shells. A friend of mine went to work there, and they told him that this was a highly dangerous job. He had inquired about the big concrete walls or embankments that they had between the plants, so that if there was an explosion these would deflect the blast upward, and they wouldn't lose the whole facility. They explained to him that if an alarm went off, "You run out that door there as fast as you can towards that concrete wall." Well, that made sense. Then he had afterthoughts, and he said, "Well, how am I going to get over that wall?" and he was told, "Don't worry about that, that wall won't be there by the time you get there!"

Talking about adopting a national policy for a commitment to a full employment program, I have the feeling that lots of things that we mentioned here this morning are problems that are not going to be there by the time we make that commitment--by the time we get there. I'd like to illustrate my point by the specific questions that were set forth in the program. There are about six, and in ten minutes there is no way we can even mention all our views on them. But I will try just for the sake of throwing out one man's views on some of these problems, maybe inducing others to respond to the specific questions.

Let me offer this: When we talk about the secondary labor market which has, as I see it, reduced in relative size in my life time, it might be of some value to concern ourselves with how this came about. Professor Doeringer did mention the role that trade unions play, and, of course, that is true. In his book on the internal labor market, he points out that the building of seniority systems, or employers making commitments on job rights to the employees, or adding fringe benefits, all of these make it a costly thing to hire a worker, and then to turn him loose and retrain someone else. All of these are institutional changes, and collective bargaining is one of the

instruments for bringing them about. Now, the question is to what extent can we devise means by which we can transfer some of that experience to now do something about the secondary labor market. This is not just a governmental question, although the government can facilitate, through extending collective bargaining, the process by which employees can gain representation--that kind of thing. And when that happens we find quite often that secondary jobs become primary jobs, as we have seen here in the cannery industry in California. There never were jobs in California of a more secondary nature than in the canneries--it was the old John Steinbeck story. But today, cannery workers have seniority, recall rights, and more fringe benefits than most white-collar workers in Los Angeles have. And while theirs may not be year-round employment, the same people are employed year after year. Thus part of the labor market has been rationalized--stabilized--and we have built in, of course, other means of supplementing the income of workers through unemployment benefits, which these people get regularly. In my opinion, they can no longer be considered part of the secondary market.

The proposals that have been made recently, about how to deal with the secondary labor market jobs, start with destroying the secondary labor market, doing it by deliberate strategy, such as the \$3.50 minimum wage proposed by Professor Thomas Vietorisz of the New School for Social Research, which would be quite a blow when you think of it. Vietorisz submits other strategic steps that would have to be taken in conjunction with such a minimum wage. His proposal is to *abolish* this kind of work. The extent to which that can be done is a matter of fair debate, of course, and one that we can't go into very much here. It would be a costly one, as he points out. It would call for a lot of the measures that have already been mentioned: wage-price control, going through a transitional period, and supplemental assistance from the government for employers who are having to meet additional cost and have productivity problems. Then there is the proposal that was last made here about trying to reshape small employment units into larger employment units, and to live comfortably with this within our sensibilities about antitrust legislation. There are other proposals, such as just living with the secondary labor market, as has been pointed out, and accepting the fact that we are going to have a permanent underclass.

Then there is another question: What do we do about the illegal worker in this country? Of course, what we are in effect doing in America, which distinguishes us from other countries, is receiving something like 300,000 to 400,000 immigrants legally into the country every year, not counting the hundreds of thousands of persons coming in from Mexico illegally. If you look at the characteristics of those who have come in legally, you get some idea about those who come in illegally. More than 80 percent of the legal immigrants are definitely blue-collar workers, the vast majority of whom are either farm laborers or industrial laborers. Mexico is a reservoir that constantly supplies the secondary labor market, particularly in the Southwest. Now, when we talk about a full employment program, here is a line that has to be

drawn in response to one of the questions: It does not seem to me that we can think realistically in terms of providing full employment for all the people who are economic refugees from neighboring countries, such as Mexico. And that's a grievous problem here in the Southwest.

I am not one who looks back on this last decade and says that our record with MDTA or manpower training was a dismal failure. I think that, on the contrary, we learned much and could pick out some success stories to help us find a new way to deal with the secondary labor market. What was wrong with MDTA is that it addressed itself too much or too exclusively to the unemployed. It talked about taking the man who was on the street and training him so that he could jump up and grab that lower rung on the ladder and then get on the job ladder and work up. In my opinion, the people who have lost the most motivation in America are those who are already employed: the guy who is on the docks when he could be a truck driver, the guy who is a truck driver when all of his life he wanted to be a draftsman or something else. We have not created the institutions to enable a man with children and a second mortgage to go back to school and maybe become something other than what he is. We have not created the school and training facilities which are closely associated with the place of work, so that a man can dip into and out of education all his life. The lower rungs on the ladder today are filled with people who could be upgraded.

There has been an insufficiency of upgrading programs in this country. Take one of the major industries, trucking, which is a growth industry; there is no systematic training in the field of trucking. A man gets a truck job in the first place by lying, "Hell, yeah, I can drive that rig!" He may never have driven anything but a tractor in his life, but that's how you get a job; and once you have a job, the way you get promoted is to learn from one of your buddies and then to go to another employer. There is a system of piracy here. No one employer is willing to pay for the training. The industry certainly does not finance training, because no one employer can afford to do it. If he trains a man, chances are that some other company is going to take him. Promotion is gained by lateral transfer between companies, not climbing up the job ladder within a company.

Now, here is an institutional arrangement that could be restructured. To do so would open up some of the lower job ladder rungs so that persons of more minimal skills, who are less academically trained, could grab the lower job rungs. There are some success stories that have come out of the last ten years under the programs of the Manpower Administration, and they do suggest ways of structurally changing some of the things that are going on in the secondary labor market.

One of the other questions that has been advanced here is the matter of human capital. To what extent should investment in human capital and training be rewarded in a program of full employment? Well, that's a tough one, and not being that kind of an economist I don't know really

how to answer it. I do think we delude ourselves a great deal about studies on the relationship between education and job income and relative occupational standings. So much of education is absolutely unrelated to work performance on jobs. I agree with Bennett Harrison, when he talks about equal education for people being of value in itself, not because it is job related. Whether or not a cost-benefit analysis is going to show that if you took some courses in Greek pottery you are going to make more income, I don't know. But I do know that so much of the educational training that we have is unrelated to the job skills that are required. Also, the kind of credentialism that we have for jobs, which some unions have helped to foster, create barriers that need to be dealt with--and I think that they *can* be dealt with.

One of the other questions we are asked to consider is: What special problems would a full employment program pose for young workers, minorities, females, and so on? Here is a whole gamut of things that we could look at. I feel very strongly that we've boxed ourselves in with legislation on matters like child labor laws, compulsory school attendance laws, the 40-hour week, and the like. We closed off options that would now be so useful to us. We talk about full employment: Why do we have to think of this in terms of 40 hours a week? In the world of work today, people want to exercise more choice about the use of their time, what commitments they make to work. I see no evidence that two people who each work in one job 20 hours a week are less efficient than one working 40. A large number of people, as Bertram Gross points out, may not at the present time think in terms of 40 hours a week, or, if they do, they need to get off at 3 o'clock to be home when the kids are home--this kind of flexibility of redesigning the form of work. It's being done almost exclusively by private action rather than by any deliberate collective design but it is being done. There is growing support for flexible work weeks, flexible work time, even for flexible reporting and leaving time--these are things that are happening now. And they are happening without any real encouragement from public policy because that would require that changes be made in the Fair Labor Standards Act, in the definition of how to compute overtime, the cost of fringe benefits (we have built that structure of wage and related payments to the point today where it is cheaper for almost any employer to work a man overtime than to hire a new employee). And I submit that this is nonsense. This is an obligation that the unions have to meet; they will have to rethink their ground here.

We are going to have to recognize that some of the work attitudes that are prevalent among our own children today may be something of a wave of the future! The notion of not getting all your education in the first few years of life and then going out into this big labor market, and the notion of hustling is gaining favor, as is the notion of working part-time, or of working for a while and then going back to school. Reference has been made to the fact that the big thing going on in the labor market today is that several million people are going to change their jobs this year. The United States Employment Service is not geared for that kind of high-velocity action. We are still thinking and acting

in terms of career employment, whereas that, as I see it, is not the real interest of workers today. If we have this full employment act passed, we will have to change other legislation to permit some flexibility in matters that now handcuff what an employer and what a union can do.

I am talking very glibly and very rapidly here, but just to throw out a few remaining thoughts in the time that we have, let me turn to the question of mobility. Should we take the classical economists' viewpoint here that "unemployed people in a particular area just must move to where the jobs are"? Well, there is an element of truth in that and certainly an element of efficiency. But the realities of what we live with require that we have to distinguish between people. Our experience with moving older workers isn't very good. The Manpower Administration has endeavored to do it. People don't like to be uprooted. Even if they came from West Virginia, their mines are worked out, they still like to squirrel hunt back there. You can move them out to Idaho, but they are going to drift back. We've got large areas in the United States, East Texas is one, where the population is constantly going down and it's an older population. To think in terms of moving such people is nonsense. However, we can see the success of some projects like Operation Outreach where we invent jobs--publicly useful jobs--for older workers, and just for older workers.

Now, as for the youth, I don't think that poses a problem. We've never had such a mobile youth in all of the history of this country. I think they'll go anywhere, whether we direct them or not. They are available if we need additional workers in other areas. Here is a great manpower pool that's on the move and can be, I think, attracted into stopping at any point where the stopping becomes worthwhile--in other words, where it is better than a hustle, where it offers some kind of fulfillment without putting the person into a program where he has got to work years to get vested rights. Union organizers tell me that they don't have any success organizing workers today talking about retirement plans. The workers don't want to hear about that. They want to know what the severance pay benefits are. They don't plan to stay put more than two or three years. To the extent that this is true, unions, government policies, social security administration, all of this would have to give way to it.

One final thought that occurs to me on the proposed legislation is that so many specific groups are earmarked in the bill for particular attention. We are talking about minorities, we are talking about women, we are talking about central city people, we are talking about veterans--they add up to a long queue of people. I find only one group left out--the group that the public employment service originally earmarked for special attention: the handicapped, the physically handicapped person. I think that's inadvertent, but I submit to you that if we add up all these named groups, we have something better than 65 percent of the unemployed accounted for. Obviously, there is a great deal of overlap

among the groups. A person can be Black; he can be a veteran; he can be over age. Separating out to the extent that we can, my rough calculations would indicate that the so-called disadvantaged, who are supposed to come in for special attention under the legislation, would represent at least 65 percent of the presently unemployed.

Now, this poses something of a problem for the public employment service. As one of the studies by the Berkeley Institute of Industrial Relations has pointed out, the neutrality of that service has been damaged by this system of priorities. You get your "brownie points" in the public agency by being able to place so many Blacks, so many Mexican-Americans, so many this, that, and the other, and budgets and everything else are set up on that basis. So, the person who has none of these disadvantages sometimes has to go through a private agency to get the kind of specialized attention and service that he might feel is his due.

If what the street level observations indicate--that people's attitude towards work are changing, our kids are telling us about their new attitudes toward work, their desire to have more control of their time--is correct, these, I believe, might be indicative of some structural approaches that could be taken to make it feasible to think in terms of a national commitment for full employment: a full employment policy that facilitates the entrance of people into work arrangements for full-time, or part-time, for life-long, for year-long, part-year, whatever it happens to be. The institutions we have designed up to this point, I don't think, really lend themselves to that. If we can, we should encourage unions to continue what they've done in the last 30/40 years, extending that scaffolding, that structure, that really distinguishes the primary from the secondary labor market. We can then talk about fine-tuning the economy, something the Employment Act of 1946 really left out. Fiscal and monetary policies can be used, of course, but also we can use manpower policies and public agencies as a pry pole to change some of the institutional arrangements that could thwart some of the things the proposed act envisions.

*Bennett Harrison* (discussant)

At this time, perhaps, I may be permitted a few comments on the principal points made by the three speakers. Vernon Jordan put his finger on what for me is the most important philosophic issue--political philosophic issue--in this whole thing. It seems to me most political --and certainly most civil rights--leaders truly believe that, basically, the American market economy works fine. For those relatively few for whom it doesn't seem to work, we need only design income transfer or income redistribution mechanisms to compensate the losers in the economic game--without directly trying to change the rules of the game, let alone the structure of the game itself.

I strongly reject this belief. Adequate income redistribution, if as many as one-fourth or one-third of the labor force can't make a living in the existing labor market (as some of us believe it to be the case), is simply politically infeasible. It is utopian beyond the wildest dreams of any practical politician. No politician is going to support such a plan, and the middle-income workers, who in the last analysis (in any kind of "real world" program) will have to finance any income redistribution, are going to vote against the man who advocates it. But job development as a means of changing the income distribution, and particularly of bringing up the bottom of it, *does* appear to be feasible. This change in perspective, from income redistribution to job development, is quite fundamental, and I am delighted to hear Vernon Jordan make it the centerpiece of his remarks. For me that's what this conference is mainly about.

Let me get to what I think is another concept from economic and sociological work that has been internalized and accepted by many, indeed most, political leaders and media managers. I think it is fair to say that the syndrome that some psychologists call "blaming the victim" is an accurate way of describing the philosophy underlying much manpower and employment policy in the United States. According to this view, after all is said and done, the causes of a person's unemployment or poverty are largely lodged in the person himself. "If you want to reduce unemployment and poverty, change the person--change his skills, change his attitudes, change his degree of job attachment, change his willingness to put up with his lot in life, or get him to work harder so that he can change his own life." Professor Nathan Cohen of UCLA, in his study of the Los Angeles riots, observed that all of the programs developed to deal with the symptoms of the riots tended to be characterized by efforts to promote *individual* Black mobility--solve the problems of ghetto poverty by helping individual ghetto dwellers to move out and up, because "this is the American way." In fact, of course--and S.M. Miller has made the same point--it's not clear that individual effort has *ever* been the principal path out of poverty, as opposed to class or group action.

In his discussion of dual labor market theory, Peter Doeringer addressed himself to this distinction in emphasizing that unemployment and poverty are produced by interaction in a very complex labor market of worker behavior and employer behavior, implying that we won't lick poverty and unemployment until and unless we can find a way to use public policy to change employer behavior in the American economy. As Doeringer says, that may require us to start changing the way employers organize their plants and do business. I realize this doesn't often come out in discussions of unemployment and poverty. I think it needs to. I think it is the cutting edge of the difference in policy prescriptions offered by different "schools" of economists. Ultimately, any full employment bill will have to come to grips with whether we are prepared to try to use public policy radically to restructure the way employers do business in the American economy.

Finally, Fred Schmidt made several points on which I'd like to comment. His reminder that strong aggregate demand is a necessary, if not sufficient, condition for reducing unemployment and poverty is, of course, correct. Nevertheless, it would be dangerous to place too much emphasis on this admitted fact. Analysis of *any* data set for *any* time period has revealed over and over again the finding that even when macrounemployment is very low, unemployment in particular places, for particular groups, and in particular segments of the labor market is extremely high. And if one goes beyond simple unemployment to try to measure the quality as well as simply the availability of jobs--and that's what all of our respective experimental indexes, such as the subemployment index, and those developed by Bert Gross and Sar Levitan, are trying to do--the *variation* in the American employment experience appears even more pronounced.

Fred said several times in his talk that he thought the secondary labor market was shrinking. Well, I don't know. In 1970, there were over 11 million nonfarm workers in the economy who worked full-time when they worked at all and yet who earned less than \$1.60 an hour. If you begin to use standards of adequacy above that, and open up the enormous Pandora's box that Bert Gross discussed this morning, the incidence of what I at least would categorize as "secondary" jobs rises. Fred chose to concentrate on the effects of economic development over time on *upgrading* many kinds of work; there is also some evidence --very sketchy at this point--that the dynamics work in the other way as well, and that at other times some jobs that were more highly structured begin to split off or degenerate. Michael Piore, of MIT, has, for example, put forth the hypothesis that this may be happening in parts of the automotive industry. It's a very complex business. I'm not willing to accept the position that low-wage, relatively unstable, poorly structured work in the economy is a diminishing problem. I just don't know.

More positively, Fred urged us to give more attention to the recent--and remarkably ignored--experience with planned institutional or structural change. We should be more aware of the U.S. Supreme Court's 8-0 Griggs decision in 1970, that employers who use educational credentials or written test scores which are not shown statistically to be related to job performance are in violation of the 14th Amendment. Poverty lawyers across the country are busily at work bringing test cases, mostly in the private sector, but increasingly in the public sector as well. There is a great deal of work underway around the country (in Los Angeles, in particular, so far as I am informed) involving public sector job redesign, the decredentialing of jobs, the whole business of experimenting with what happens when you take low-skilled workers, who don't have formal credentials or extensive work experience, and put them into positions where previously it was said that they couldn't cut the job. I would hope that any full employment bill will provide substantial resources for extensive structural change of this kind.

A last comment, again on Fred Schmidt. He alerts us to the change in the structure of values toward work. He warns us that our emphasis on the desirability of public provision of more work, more stable work, more career work, more full-time work, more highly paid work--that's in a sense the meat and potatoes of this conference--may address an increasingly "old-fashioned" goal, if what in fact is happening before our very eyes is a radical twist in the values of a lot of people toward work. I think that is a terribly valuable warning. But I would like to close my comments by offering a counter-warning, and that is to beware of a kind of culture bias in such an analysis. I think just as labor market behavior is highly segmented, so, too, are values toward work. It would be a disaster--an unbelievably paradoxical kind of disaster--if we now chose to direct labor market policies *away* from trying to provide full-time, highly paid, stable, productive, technically creative work, in order to accommodate a new generation of affluent middle and upper-middle class whites while the working class continued to be forced to forego true full employment. In short, I fear that Fred's very important warning to us, not being too fixed in our ideas about what people want, may translate into a recommendation that we focus on changing values only at the upper end of the income distribution.

*Unidentified person in audience*

One question that seems to come up a lot relates to a kind of tension between stable employment situations on the one hand and some sort of freedom on the other, and I guess that that's particularly the case with teenagers. If we had a very highly class-structured society, more on the model of the career system of 20 years ago, we could start sorting out kids very early for jobs and do that officially and say in effect, "Well, you are going to be a metal worker, and you are going to be an office worker," and provide all kinds of education and training, etc., at the age of six or twelve or whatever, we could gear them right in, and the transition from education to work would be easier. But if we try to do that, our basic democratic ideal would just explode, and the people would be outraged. It seems to me there is a tension between those two values.

*Peter Doeringer*

May I just say briefly that, if nothing else, the *attitude* towards an amount of education which young workers should receive, in the school system, causes the sorting out process to come later in life rather than earlier. It still occurs. You are really deferring it in a sense, and if we merely cut back at the school-leaving age, we would only aggravate the youth labor market problem. But I do think

that whenever you begin to release young workers from the educational process and turn them loose on the job market, to a large degree, the high unemployment and the emphasis upon on-the-job training in the primary labor market has exacerbated--sort of stretched out--the transition from school to career employment. By stimulating employment, however, it might be possible to set in motion much closer ties between employment and the educational process and a greater desire on the part of the private sector employer to pick up young workers more quickly. What I am really talking about is trying to expand the number of career opportunities that are available in the economy, so that young workers coming out of school can have a better set of incentives for moving quickly into such jobs, and also of building the pressure on the employers through full employment policy, to pick them up faster.

*Bennett Harrison* (commenting on a question concerning employer-employee relationships in American industry)

One of the characteristics that seems to be common to a wide variety of low-wage jobs is that employers do not particularly value stability on the part of their workers. They don't need it. They haven't invested so much in the worker that there is a large fixed cost that needs to be recouped. There are other people on the street who can cut it with a minimum of training, so the disruption to the production process, to the orderly arrangements in the work place, is minimal. This fact makes it very difficult to distinguish unambiguously between a "quit" and a "layoff" in the secondary labor market. Moreover, while Charles Holt is surely correct that the aggregate impact of high turnover on society is extremely costly, the impact of an individual secondary employer may not be.

Please don't misinterpret my statement as suggesting that most employee turnover is voluntary. Nor did Holt or Doeringer say that. My point was that the whole distinction between a "voluntary" and an "involuntary" separation is extremely ambiguous under the conditions obtaining in the secondary labor market.

Panel III

*Public Service Employment*

*Frank Levy*, Associate Professor of Economics, University of  
California, Berkeley

*Michael Wiseman*, Assistant Professor of Economics, University  
of California, Berkeley

*Bennett Harrison*, Associate Professor of Economics and Urban  
Studies, Massachusetts Institute of Technology

### Introduction to Panel III

"Public service employment" (PSE) is one of the important means by which chronic unemployment can be eliminated. Its historical roots may be found in the work-relief program initiated by the Administration of President Franklin Roosevelt in 1935: the Works Progress Administration (WPA) offered publicly financed employment to unemployed persons, on a wide variety of projects designed to construct or improve roads and bridges, schools and stadiums, hospitals and clinics, and many other public buildings and facilities. Even more innovative were the special cultural and creative projects supported through WPA, in the fields of drama, art, and writing. The WPA was regarded as an emergency measure aimed at the mass unemployment resulting from the Great Depression, and eventually was abandoned when employment rose to unprecedentedly high levels during World War II.

Passage of the Employment Act of 1946, a much watered-down version of comprehensive "full employment" legislation sponsored by progressives in the Congress, reflected a partial acceptance of "Keynesian" economic stabilization policies to prevent recurrence of mass unemployment. But by the 1960s the form of the unemployment problem had changed fundamentally: with the stimulating effects of two wars added to other factors, widespread and highly visible unemployment had vanished, but had been replaced by chronic "structural" unemployment particularly affecting certain defined groups within the economy--racial minorities, the unskilled and poorly educated, the young and the old, women, and the residents of depressed areas such as in Appalachia. Through area redevelopment, manpower training, and antipoverty measures enacted during the Administrations of John F. Kennedy and Lyndon Johnson, the federal government committed itself to positive action against this new type of unemployment.

However, with the exception of some limited "New Careers" programs in the 1960s, the policy of public service employment was not reactivated until passage of the Emergency Employment Act in 1971. This measure, in response to the recession of 1970-71, established the Public Employment Program (PEP) for the purpose of developing "transitional" jobs in the public and nonprofit sector. Only a three-year program, PEP is now being replaced by Title II of the Comprehensive Employment and Training Act (CETA) of 1973, effective July 1 of 1974. The new measure continues public service employment, but decentralizes its planning and administration in line with the concept of "manpower revenue-sharing."

This panel considers the implications of public service employment as an element in a "full employment" policy. Professors Frank Levy and Michael Wiseman, of the University of California at Berkeley, summarize some of the major findings of their intensive studies of public employment in the San Francisco Bay Area, arguing that, with appropriate targeting, a "first-resort" PSE program could be an effective component of a broad attack on unemployment. Professor Harrison outlines the advantages of

public service employment. Professor Harrison outlines the advantages of public service employment, pointing to the greater equity of such an approach. He warns against certain dangers inherent in a "temporary" or "transitional" program, however, and calls for structural changes in the economy as a necessary supplement to PSE. In a final comment, Professor Doeringer also counsels against possible restrictions on or underfunding of public service employment which could negate its potential benefits.

*Frank Levy*

The remarks of Mike Wiseman and myself will be somewhat different from those you have heard earlier in this symposium. We will not be dealing with broad issues. Rather, we plan to discuss something quite concrete, the proposed revisions in the Public Employment Program initially funded by the Emergency Employment Act of 1971. An extension of Emergency Employment Act (E.E.A.) was recently passed by the Senate (S. 793, 93rd Congress, 1st Session), and we think that with certain modifications this legislation or other legislation like it can have an important immediate impact on the problems of low-wage workers.

A comparison with the legislative experience of income maintenance plans will help justify our rather narrow outlook. There are, broadly speaking, two approaches to problems of income maintenance in this country. One is to propose a universal reform, a plan that takes account of everybody and incorporates in a single piece of legislation aid for the elderly, relief for the unemployed, and assistance for children without intact families. Another is to approach the problem piece by piece, creating for each need a special program. From the beginning, people interested in income maintenance have rapidly come to the conclusion that universal reform is something not to get involved in. If, for example, the social security system seems to be running pretty well, there is no need to kick up a lot of dust by saying that any negative income tax bill proposed has to supersede social security and provide benefits for both the elderly and the working poor. This kind of political realism suggests that substantial improvements in income maintenance programs will in the foreseeable future be accomplished on a piecemeal basis, with gradual reforms in AFDC, OASDI, and other programs. Change of this kind has the advantage of speed. It is much easier to formulate and assemble political support for a program targeted at a specific group than for a broad reform directed at a group of diverse needs and interests.

The same dichotomy of approaches is apparent here. Certainly it is worth talking about the total restructuring of jobs and full employment, but more immediate and less comprehensive goals are also important. What, to be specific, do we do about workers with low wages and high unemployment over the next two years? This is the problem Mike Wiseman will address.

Mike and I have just completed a two-part study of public service employment.\* In the first part, we used the 1967 Survey of Economic Opportunity to develop a profile of the type of workers who might be eligible for public service employment if the objective of such a program were to place in government jobs people who were not able to

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\* See Frank Levy and Michael Wiseman, *Public Service Employment: Some Supply and Demand Considerations*, report submitted to the Manpower Administration, U.S. Department of Labor, July 1973. A shortened version of this paper is forthcoming in *Public Policy*.

earn nonpoverty incomes in 1966. We concentrated on men between the ages of 18 and 51 who earned less than \$4,500 in that year. After developing a profile of these men, we looked at all municipal jobs in Oakland, jobs in Alameda County and jobs in San Francisco for which the men in our sample appeared to be qualified. We found that, even when the most conservative criteria were employed for judging the number of jobs which cities might provide for low-earners, the numbers were appreciable and the likely cost of such a program not much different from costs of other programs now in existence which we believe to be less effective. Again, our emphasis is on a short-term reform, something that can be accomplished *now*.

I will leave the specifics to Mike. I will say something about the political aspects of the program we will suggest. The best evidence we have on the political support for public employment programs comes from a Gallup Poll conducted in 1968. Two questions were posed in that poll: One, "Do you believe that families of four should have a guaranteed income of \$3,200?" was rejected by a two-to-one margin. The second question, however, was, "Do you think that the government should supply employment so that anybody who wants to can work and earn \$3,200?", and this was supported by a margin of about three to one. I think, in general, enough people experience unemployment at some time during the year that a reasonable amount of support exists for some sort of work-oriented program, even if it is not universal but rather concentrates jobs on persons with serious employment problems.

There are other reasons for believing that this is a propitious time for an expansion of a well-targeted public employment program. As the aggregate unemployment rate falls, we can expect workers who continue to be unemployed for long periods of time to be those workers with the most serious employment problems. In early 1971 many of the unemployed--aerospace workers, for example--were men and women who could be expected to find reasonably good jobs as soon as the overall level of economic activity began to expand. These people don't have the long-term employment problems that public service employment can remedy; yet their presence in the pool of unemployed makes it difficult to choose workers who should be given public jobs.

A more technical but very important factor concerns the fiscal condition of municipal governments. As the economy begins a move out of the recession, we can expect this condition to improve. Most city governments are certainly in better shape now than they were three or four years ago. The experience with E.E.A. suggests that if cities are given federal money to hire low-skilled workers at a time in which revenues are very tight, there exist tremendous pressures to use the money to employ people who would have been hired anyway, with the consequence that no net expansion in jobs is accomplished. When budgets are less strained, governments can afford the luxury of taking on more low-skilled workers.

Between 1960 and 1968 there occurred a contraction in municipal revenues, and many cities experienced financial "crises" of one sort or another. Our work suggests that a major impact of this financial stringency occurred in the employment of low-skilled workers. It is easy to imagine why; the school system provides a good example. If a school system is tight on money, it will tend to cut back on maintenance personnel and clerks before employment of teachers is reduced. Teachers generally are better organized, and they are highly visible. Reductions in maintenance expenditures do not produce visible effects immediately in the way a reduction in teaching staff does. I think many local governments have over the past five years cut back in employment in low-skill jobs. If this is true, the implication is that low-skill employment can now be increased without generating "make-work" or substantial organizational problems. In short, it is for these three reasons--the fact that as unemployment rates fall people out of a job for long periods of time are increasingly those most likely to benefit from public employment, the fact that as government fiscal situations brighten there will be less temptation to use federal moneys to hire people who would have been hired anyway, and the fact that current levels of low-skill employment in cities are probably low relative to standards prevalent in the recent past--that now seems to be the time to push public employment further than what was accomplished under E.E.A.

*Michael Wiseman*

I would like to begin my comment by drawing a distinction between two different types of public service job programs. Discussions in this area are frequently confused by the fact that "public service employment" means different things to different people. It is useful to make clear just what is being discussed from the beginning.

Broadly speaking, one can distinguish between public service employment programs providing jobs of *last resort* and programs providing what Bennett Harrison has called jobs of *first resort*. A public service employment program of the "last-resort" variety would guarantee a job at the minimum wage to all workers who wanted one. Such a program is a work-conditioned transfer mechanism. Proposals of this kind are usually made in conjunction with "welfare reform" schemes based on earnings subsidies, since an earning subsidy won't work if there are no jobs to be had. A good example of a "last-resort" public employment program is provided by the job guarantee clause in the Senate Finance Committee's 1972 welfare proposal. A similar program is part of the "Community Work Experience Program" California has inaugurated in some counties for employable welfare recipients.

There are several problems, however, with last-resort public employment. The first is that providing jobs at or below the minimum wage seems ignoble and niggardly. A second is that other municipal employees feel threatened by any suggestion that the federal government should provide or pay for low-wage public sector jobs. Third, as Peter Doeringer pointed out this morning, recent research on low-wage labor markets indicates that unemployment in larger metropolitan areas is not so much created by the absence of any jobs as by the absence of employment at decent wages. By and large, jobs are available which pay the minimum wage. It is jobs that pay more or offer opportunities for advancement that are missing. Under these circumstances, it doesn't seem to make sense to add another "secondary" low-wage employer to the market, even if this employer happens to be some level of government.

The principal problem with a last-resort job program is that, like negative tax programs, it is a passive antipoverty strategy. Last-resort jobs do nothing about long-term causes of poverty or poor labor-market experience. A last-resort job program is like giving aspirin to someone with a fever. Aspirin may ease the pain, but it does nothing for the illness of which the fever is but a symptom.

A "first-resort" public employment program is more attractive. By first-resort public employment I refer to any policy designed to give regular public employment to needy persons. Bennett Harrison has just argued for programs of this nature. However, first-resort public employment also presents problems. The jobs are, compared to last-resort minimum wage employment, expensive. Our work and that of others indicate that local government provides many jobs which could potentially be held by people who are currently earning very little in private employment. The jobs pay well--they are what dual labor market theorists would term "primary" jobs. They offer stable employment, reasonable-to-good fringe benefits, and, for the most part, \$7,000-\$10,000 per year starting wages.

The fact that such jobs pay well creates problems because many people who do not qualify as disadvantaged, under even loose definitions of "poverty," will be attracted to them. Some numbers will be helpful in assessing the importance of this problem: In 1970, as a part of the census of population, the Bureau of the Census conducted an intensive survey of households in low-income areas in most major cities and a few rural counties. "Low-income areas" was a broadly defined term, so that the survey included in San Francisco a substantial portion of the city and virtually all of the census tracts in which people who are targets of a first-resort public employment program are likely to reside.

For simplicity, I will concentrate on men, although it is clear that a full-fledged public employment program will include women. Let us consider two arbitrary income cutoff levels. The first, \$3,200,

represents a full year's earnings at the minimum wage of \$1.60. This is a "job of last resort" cutoff. The second, \$6,000, approximates the lowest level of wages paid in regular city employment. This represents a "job of first resort" cutoff. In 1970 there were 24,701 men over 16 years old and not in school in the CES (Census Employment Survey) area of San Francisco who earned less than \$3,200 in the previous year. This number includes only full-time workers, and it is understated to the extent that some men out of the labor force would have worked if acceptable jobs had been available or that some portion of the people employed part-time were actually looking for full-time work. At the same time, 46,000 workers earned less than \$6,000.\*

To put these numbers in perspective, in 1972 San Francisco City and County government provided only about 24,000 jobs at all levels. Clearly all 24,000 jobs cannot be converted to first-resort public employment. Some probably require skills that low-income workers don't have. All currently are filled, so we must talk in terms not of San Francisco's current public job supply but, rather, the potential increase in supply in the short run, given a federal subsidy. The number we need, therefore, is an estimate of the capability of San Francisco to provide additional low-skill employment during the coming year for a public employment program. In trying to arrive at such a number, I shall be as conservative as possible so that the estimate I give can reasonably be thought of as a lower limit.

With regard to the skill requirement of city jobs, there exists considerable controversy over the validity of the requirements established by Civil Service System procedures for most city jobs. I do not wish to tackle this issue here. Rather, let us assume that any job which the city specifies to require no more than a high school education and 18 months of experience is a candidate for immediate expansion under first-resort public employment. About 5,900 of the city's jobs meet this requirement. Virtually all of these positions are entry-level jobs which offer, in addition to employment, opportunities for advancement. Some, however, call for additional skills and successful completion of lengthy written examinations. This was true, for example, at the time of our research for positions as hosemen in the fire department. Every hoseman, we are told, is viewed as a potential chief and must be examined for that position as well as for the one for which he is nominally applying. These are issues that must be changed, but they are not going to be changed next year and it is unrealistic to view such traditions as malleable in the short run. Elimination of positions with special requirements from the low-skill totals reduces the number to about 4,400. For comparison with the worker totals given earlier, which were for men, we should also eliminate from consideration those jobs held currently only by

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\* U.S. Bureau of the Census, Census of Population: 1970, *Employment Profiles of Selected Low-Income Areas*, Final Report PHC(3)-23, San Francisco, California, various tables.

women. This was true in 1972 of about 440 of the jobs remaining after the other restrictions had been applied. Clearly many of these jobs could be held by men, and many of the other jobs could be held by women, but this is a matter for more detailed study in the future.

The result of these calculations is that San Francisco provided, in 1972, 3,965 jobs which could clearly be held by men with few skills. These are job classifications which could be employed for first-resort public employment immediately, without waiting for reforms in civil service or social mores to alter others in a way to make them usable. Again, I consider this to be a minimum estimate.

How many more jobs like this could the city provide? Our discussions with department heads and other officials in city government indicate that, on the average, employment might be expanded by about 15 percent in these categories without encountering severe constraints on managerial capacity or complementary capital facilities. In other words, these jobs might be created without enlarging the number of higher-level positions or investing in additional gardening equipment, janitorial supplies, or the like. In many cases the new hires would simply fill now-available positions that formerly had been filled regularly by the city.

The problem is that 15 percent of the supply of jobs I have described is just 600 positions. Even if our technique underestimates the capability of San Francisco's city government to provide employment by a factor of 3, the total remains far less than the number of workers who could conceivably be interested in such positions. We are faced with the classic problem of scarcity. How are we to allocate these jobs?

The method of allocation depends on the objectives of the program, and there are several. One objective is to try to allocate jobs to workers who would otherwise remain in secondary employment for the foreseeable future. First-resort public employment would have in this case an explicitly *remedial* function. The idea is to use the jobs to intervene when the labor market fails to provide workers with opportunities for steady improvement in work experience and earnings.

A second objective for the allocation of first-resort public jobs is to distribute them in a way that will have maximum impact on family poverty. When the job supply is limited, it does not seem unreasonable to concentrate on low-earners who live in or head families who are poor by one of the official standards or some substitute criterion of poverty.

A third allocation objective is to maximize the impact of withdrawal of workers (for public employment) on the secondary markets in which they were previously employed. There is some evidence that whether a job is or is not "primary" is not a technological "given." Rather, the quality of a job depends in

part on the employer's incentives for upgrading the position. In tight labor markets, employers may be more likely to attempt to retain workers through enhancement of nonpecuniary job characteristics, increasing job stability, and utilization of incentive pay schemes. The more we know about the secondary sector, the better we will be able to allocate jobs to workers whose employment will have, through reduction in labor supply, the greatest impact on those left. This objective might suggest that, *ceteris paribus*, when only one job is available it would be better to hire some ex-janitor for PSE than a street musician, since the former probably competes with a broader range of secondary workers than does the latter.

Finally, achievement of these objectives will be constrained by constitutional considerations. Suppose research conducted in the future suggests that such objectives are best served by hiring for public employment only Black heads of households aged 30-45. Such a restriction would clearly never pass a court test. Prohibition against discrimination by race, sex, and, to a weaker extent, age may substantially restrict the criteria which can be used in devising an entrance "filter" for public service employment.

Even with these considerations, however, I am certain that better standards can be devised for entry into jobs than were used in hiring people for jobs in the Public Employment Program funded by the Emergency Employment Act of 1971. PEP required that new jobholders simply be unemployed. For people who had not previously been employed in the governmental unit providing the job, only a week of unemployment was enough. Although Congress specified other criteria to be applied in making PEP hiring decisions, in practice a sufficiently large number of people were interested in the jobs that local governments could be highly selective in choosing new hires, and most selected the best people available. Unfortunately, from the standpoint of those of us interested in getting these jobs to the permanently poor, PEP hires tended to be people who most likely would have got jobs elsewhere had they been passed over.

How can the entrance criteria be improved, and what effect would this have on the pool of eligibles for the job expansion we have outlined? In answering this question, we shall continue to use numbers for men, since this is consistent with the job and worker counts we have introduced earlier; we are working on figures to cover the entire labor force. Let us begin by considering the wage cutoff of \$6,000. As indicated in Table I and stated earlier, there were over 46,000 men with annual earnings less than \$6,000 residing in low-income neighborhoods of San Francisco in 1969, while a feasible immediate expansion of city employment is on the order of 600 jobs. If we were to limit consideration to those workers from the initial group who reported more than 14 weeks of unemployment, the number of eligibles would be reduced to 5,949. Strictly speaking, a remedial public service employment program should not be limited only to unemployed persons,

Table I

THE POOL OF ELIGIBLES FOR PUBLIC SERVICE JOBS  
IN SAN FRANCISCO\*

Full-time male workers earning less than \$6,000 in 1969 in CES area	46,214
Number reporting more than 14 weeks of unemployment	5,949
Number of household heads reporting more than 14 weeks of unemployment	1,309
Number of household heads with children under 18 reporting more than 14 weeks of unemployment	668
Estimated potential additional job supply, city and county government	600

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\* Source: U.S. Bureau of the Census, *op.cit.* For a detailed discussion of the method of derivation of these figures, see F. Levy and M. Wiseman, *An Expanded Public Service Employment Program: Some Demand and Supply Considerations*, Report to the Manpower Administration, U.S. Department of Labor, July 1973, p.61.

since a worker spending all year in low-wage secondary jobs may be a more appropriate target for public employment than one unemployed for 14 weeks due to new entry or other dislocations, but who may be expected to do much better in the future. On the other hand, the great advantage of an unemployment criterion is its potential to yield objective evidence, while forecasts of what a worker will be earning in the future are likely to be highly unreliable.

Finally, if we restrict eligibility further to those workers meeting the unemployment and earnings criteria who were also heads of households, Table I indicates that the number of eligibles is reduced to a group approximately as large as the number of jobs which we believe could be quickly produced. Caution should be exercised here, since the estimate of the number of men in this category is based on several unvalidated assumptions about headship rates and family types among these men, but there is no reason to believe that the number is significantly in error.

What would providing 600 jobs cost? Assuming an average wage of \$8,000 per year, the total bill for wages comes to \$4.8 million. Here we assume that local government will pick up all other costs if the federal government will pay the wage bill. Two things suggest that this isn't such an outlandish figure: First, the City and County of San Francisco received \$5.5 million, slightly more than the cost of these jobs, in its PEP allocation for fiscal 1972. We would therefore operate a much better "targeted" PSE program with about the same number of jobs for about the cost of E.E.A. Second, San Francisco's initial allocation under general revenue sharing is \$20 million, far in excess of the requirements for this kind of program even when adjusted to account for female applicants.

These figures are admittedly of the "back of the envelope" variety. We have not considered here the possibility of job creation in other governmental units such as the school system and the housing authority. (This was done in our paper.) We have not considered here jobs for women. We believe these few numbers do indicate that something significant can be done immediately. We see an expanded public service employment program as a useful intermediate step in the direction of the comprehensive policy proposed by Congressman Hawkins. Certainly the construction of a set of restrictions to be placed on expenditure of additional federal money for this purpose, so that the objectives I have discussed can be met, is a matter of first priority for those doing empirical research on secondary labor markets and low-income workers.

*Bennett Harrison*

Before addressing my central theme--the relative superiority of public sector employment for low-skilled and other unemployed workers-- I should like to suggest a larger policy context into which a much expanded public employment program might be embedded. My greatest

criticism of the present version of the Hawkins bill is that its *only* operational program is subsidizing public jobs. I think this is both unrealistic and unwise; rather we should fold the public employment program into a more comprehensive set of policies to reduce poverty, inequality, and underemployment in the United States.

First, and most importantly, I share with Peter Doeringer a fundamental interest in what might be called the economic development of the secondary labor market. The "dualist" perspective tells us that the American economy has an enormous underdeveloped segment in need of economic development. Toward this objective, I perceive a continuum of policy recommendations, with very radical development of new kinds of industrial organizations (e.g., community development corporations, producers' cooperatives, worker-managed local plants) at one end. At the other end, I guess I would place the strategy discussed this morning by Peter Doeringer, that is, an interest in trying to reconstruct in the periphery the kinds of internal labor markets that now characterize the core of the American economy--trying, as an example, to get General Motors to produce T-shirts. And there probably are a variety of strategies that fall in between. But changing the structure of jobs, changing the structure of employment practices, and changing the way in which employers operate, these priorities are very high on my list of things that I would like to see part of a full employment program.

Manpower development is clearly complementary to this, but manpower development in the past has largely involved trying to put people into wherever one can find little slots available--all too often the very slots that are frequently turning over, predictably, because they pay and provide so little. The aspects of manpower development that particularly interest me aren't terribly radical and are becoming increasingly common in Western Europe. They involve retraining and relocation, with facilitation of subsidized movement of people through the skill distribution and across space in order to make it easier to find ways of adapting to changes in the economy, particularly as those changes are induced by government policy.

I am also very much in favor of a substantial increase in the minimum wage. In fact, I would hope this would produce precisely the result feared by many, namely, the dislocation of a number of low-wage businesses. Of course, this would, in and of itself, be clearly brutal, politically foolish, and, in fact, counterproductive unless we facilitate the rapid retraining and (if necessary) relocation of the dislocated labor--managers and owners as well as directly productive labor--and unless wage change in fact produces (as I am betting it will) more than offsetting increases in productivity.

We haven't talked too much about antidiscrimination legislation today. I fear that almost any kind of change in the American economy that isn't closely linked to a very vigorous antidiscrimination program will once again leave the minorities and women holding the short end of

the stick. When "push comes to shove," quotas may be a very desirable--indeed a necessary--element of such a policy. There are, of course, quotas in my school, quotas in the school I went to, and quotas permeating the American economy. It's not fashionable to talk about them and certainly not fashionable to suggest they be used to "discriminate in reverse." But I can't help observing that if you are halfway through the baseball season--and you want to attain, say, a .300 batting average by the end of that season--if you are not hitting .300 now, there is just no way at all to end up with a .300 batting average unless you bat *better* than .300 for the rest of the season. It's not a very profound example, but it has a lot to do with the business about quotas. There is just no way to achieve more equitable targets in the distribution of jobs, regardless of how equity is defined, unless some reverse discrimination takes place. It needn't be called that, but it would be naive to pretend there is an alternative.

Let me come back now to the public employment aspect *per se*, and try to pick up on Mike Wiseman's discussion. I'm fascinated by his description of what he calls "the problem." He and Frank found--in the Bay Area at least--that public jobs in given occupations seem to pay at least as much and perhaps more than comparable private sector jobs, especially if nonwage factors (pecuniary and otherwise) are folded into the comparison. "The problem," is that if the government provides only a small public employment program, then clearly many workers in the private economy (some of them suffering or threatened by displacement) look at these public jobs and say, "That's a better job than I've got now. I'd like to switch." In fact, the *real* "problem" is that, underneath the very superficial "iceberg tip" of actual overt unemployment, the private sector in the United States contains an enormous number of jobs that pay very low wages for up to and including full-time work. If that's the case--if that description is correct--then it's inevitable that any kind of short-run, politically feasible public employment program is going to encounter the "Wiseman problem," and, of course, Wiseman and Levy are right to urge Congressman Hawkins to pick target groups and selectively stimulate the demand for those target groups in anticipation of this competition. But don't lose sight, in the process of doing this, that the reason you're being forced to do it is precisely because of the seven-eighth of the iceberg--the substantial incidence of low-wage, unstable work in the private sector of the economy.

The "problem" goes far beyond the labor market studies by the Berkeley team. National data for the last 15 years or so permit us to compare public and private sector jobs in a variety of reasonably similar occupations. In general, public sector jobs now pay higher median wages than those in the private sector, well up into the \$15,000 range of the income distribution. Corporate executives tend to make more than government bureaucrats, but that's not the place to focus attention. In the middle and on the bottom, for any given income cutoff, the proportion of full-time workers earning below that amount is significantly higher in the private than the public sector. At the bottom the

difference is especially significant. There is a *lot* more poverty level work in the private sector of the United States than in the public, and the benefit differences tend to increase the gap between public and private earnings distributions even more.

If one looks at unemployment, the same differences appear. Public employment tends to be almost a paradigm of the Doeringer/Piore internal labor market; because of Civil Service, unemployment is much lower in the public sector. One looks at workers who are now unemployed and asks: "What was your last job? Were you last employed in the public or private sector?" The differences between sectors are extraordinary!

One can then begin to do something more sophisticated, such as the following: Look at two people who are very similar in a variety of respects, who both have, say, completed the same amount of schooling; one works in the public sector, one works in the private. If you compare the rates of return to schooling, those rates differ very much between the public and private sector. Black workers earn much higher wages for given characteristics in the public sector than in the private sector; women earn more with given characteristics in the public than in the private sector. The stability of internal relationships in the public sector--the very thing that creates such a disastrous problem for uncredentialed people trying to gain access to the Civil Service--is precisely what makes work arrangements more predictable, more stable, and makes higher wages possible. I am not personally in favor of trying to destroy the Civil Service. I *am* very much an advocate of trying to bring people into it that have been locked out, through "decredialing," greater use of "selective certification," and other Civil Service reforms.

There are two other points to be made about the public/private difference. In a very recent article in the *Monthly Labor Review*, some numbers were published, based upon experiments that the Bureau of Labor Statistics has been conducting with its national input/output table. They have asked the following very interesting question: How does an increase in spending from one or another source affect employment in different sectors? And several interesting numbers came out of that exercise. According to the BLS, a billion dollars of private consumption or investment spending--buying refrigerators, or building a new plant--generates about 79,000 jobs, nearly all of them in the private sector. A billion dollars of federal defense spending generates many more jobs, about 92,000--55,000 in the public, 37,000 in the private sector. A billion dollars of federal nondefense spending on the average generates about 83,000 jobs, while a billion dollars of state and local government spending generates 110,000 jobs on the average, of which something like 35 percent are in the private sector. Of all the kinds of state and local government spending which stimulate employment, the kind which has been the most important over the last 15 years is *not* the actual employment of workers in state and local government. It has been those activities of state and local government that lead to purchases from private

businesses, which in turn generate jobs. That category has grown much more rapidly over the last 15 years than the growth attributable directly to hiring teachers, firemen, and so forth. The important lesson from such numbers is that public employment programs actually stimulate the demand for labor quite beyond the particular teacher's job that one is looking at, or beyond the fireman's job, or the clerical job. Public sector employment, particularly in state and local government, is very highly stimulative of *private* profit and private employment.

Finally, and this relates to a question that Walter Fogel raised earlier, Peter Henle has done a very important study of income distribution in which he finds that if one looks at private sector and public sector earnings distribution in the United States, the distribution within the public sector is much more even than it is in the private sector. That doesn't necessarily follow from anything I have said in the last ten minutes. It is perfectly possible that people are paid outrageously inflated wages in the public sector, but that the degree of inequality in wages is just as great as it is in the private sector. Henle tells us this is not true; public jobs are more equitable.

Now, to all of this, Walter Fogel asks "why?" Developing an answer to that question is crucial to the further design of a public employment program. I don't have a very satisfactory answer right now, but I can indicate that the research of friends and colleagues who have been studying that question, such as John Owen at the New School, Ron Ehrenberg at the University of Massachusetts, and Werner Hirsch here at UCLA, suggest what may not be such a fanciful explanation: that in the public sector, because hiring is always potentially and frequently overtly politicized, wages are paid according to equity considerations, and not explicitly according to productivity considerations. One may want to change that (I don't); or one may argue that such a policy should be actively promoted and subsidized through transfers from other parts of the economy, profits, for example, especially capital gains. That's a judgment, a value judgment that you must make. But what some of this research (including recent work by Lee Rainwater) shows is that there tends to be pressure in the public sector to pay people what is popularly believed to be a "living wage," that it is very difficult for local governments to depart seriously from that kind of social norm.

Well, that's part of an explanation. Surely, there is very much more to be learned. And if this kind of public pricing *is* truly inefficient, then we must be willing to subsidize those efficiency losses through transfers from elsewhere. But these are researchable and debatable issues.

Permit me one concluding observation, on a rather more immediately operational issue. Based upon our experience with Model Cities, the Community Action Program, and the first Public Employment Program, I

fear that the Hawkins bill--as presently drafted--could fall into a certain kind of trap. Specifically, I fear that "transitional" public programs, special poverty-oriented public service job programs of various kinds, will continue to float outside of the Civil Service System. The linkages between the public jobs created by federal programs and regular civil service jobs are very weak, and attempts to build bridges between the two have not been very well funded. There are a variety of problems --union problems, to mention only one--that have gotten in the way.

In any case, so long as we continue to think about reservoirs of jobs to be produced only in times of need--transitional jobs to help people make short-term adjustments--I fear that what we are going to do is to create within the public sector the kind of secondary labor market that already has been created for us in the private sector of the economy. I really fear a stigmatizing of those employees who end up in this category. And I fear that, once in that category, it will be difficult--if not impossible--to move many of them out and up, into the regular system. In short, the very factors that make the public sector so similar in the United States to the primary labor market or the core of the American economy, and that therefore commended it to me as a tool for full employment policy, are also the very factors that suggest that the kinds of policies some of us have been arguing very strongly for--unless they achieve a certain scale and degree of permanence--may be counterproductive.

*Frank Levy* (a comment)

This is just directed to Congressman Hawkins. If that piece of legislation--the Emergency Employment Act--is coming before you, my question is: In the short run, how would you get the most bang out of the buck? I think we would say three things. Right now, at least as written last year, the bill can figure jobs to \$12,000 salary, and if the local governments want to add money to that, they can go up as high as \$20,000 or so. You don't want to do that. The people who need the jobs are those who would only be attracted to, say, jobs of \$9,000, \$8,500, or less, and so adding a restriction to the bill that money can only be used for jobs paying, say, \$9,000 or less, would be an improvement. You would weed out people who can make it on their own. If you could restrict its applicability to heads of households, so much the better. And if there would be some way of demonstrating more than just *immediate* (or very short-term) unemployment for receiving the job, so much the better still. Now, those aspects may be unpopular and I don't know the politics in the Congress with respect to such a restriction, but our position is that given the fact the national unemployment rate is reasonably good now, these kinds of targets are quite appropriate. We don't currently have thousands of aerospace workers unemployed. You want to target this money on people who *need* it, and those kinds of restrictions may achieve that.

*Peter Doeringer* (a comment from the floor)

I just want to talk about the legislative implications of all this. I think it is important that, as a growing body of information on the previous public employment programs suggests, there is the danger of dualism creeping into these kinds of programs as well. Ben Harrison attributes it to a tendency to introduce jobs on a short-term basis into the existing public employment structure. It is very hard to integrate such jobs fully and quickly in a permanent system.

A second concern involves this whole issue of selectivity that Wiseman talked about--a tendency of state and local governments to want to put the best person on the job. That is a natural and even desirable kind of behavior, but it means you tend to put secondary workers into secondary kinds of jobs and primary workers into primary kinds of jobs, in the public sector.

Third, and one point which hasn't been touched upon today, I think it is very important to emphasize in the next round of PEP jobs the issue of what kinds of career ladders city governments and state governments choose to create. When there is a public works program or an appropriation to expand health services, or any other program geared to producing goods and services, that budget buys things other than wages. It has to pay for capital equipment, for raw materials, and, most importantly, for more supervision, training, and so forth. In the PEP area, the money has not been provided in most cases for additional capital equipment, additional managerial resources, and so you tend to encourage governments to take this money and use it to create jobs that have very little in the way of a training component, that have very low capital equipment for the workers to work with, that require very little supervision. These are not the kinds of jobs that provide upgrading and mobility for people who are poorly trained, inadequately skilled, and need additional supervision because they are hard to employ. Until you are prepared to provide this type of complete funding for a public employment program, we are destined to perpetuate a low-wage employment program for the disadvantaged.

Panel IV

*The Political and Administrative Implications  
of  
Full Employment Policy*

*Russell A. Nixon*, Professor of Social Policy and Social Welfare  
and Chairman of the Social Policy Area, School of Social Work,  
Columbia University

*Harvey Perloff*, Dean, School of Architecture and Urban Planning,  
UCLA

*Sidney Sonenblum*, Research Economist, Institute of Government  
and Public Affairs, UCLA

Discussant: *Courtenay Slater*, Staff Economist, Joint Economic  
Committee

#### Introduction to Panel IV

This panel examines some of the broader political and administrative implications of a full employment policy. By establishing a federal guarantee of useful and meaningful employment for every American willing and able to work, the Hawkins bill would have a profound effect upon the political as well as the economic system and the relationships among both the branches and the levels of government. The question of how such a policy would be administered and implemented must be considered in some depth.

Professor Russell Nixon challenges the "traditional" thinking which, in his view, misses the whole point of the Hawkins legislation. Accustomed to considering the problem in terms of a certain "tolerable" or "necessary" rate of *unemployment*, orthodox economists cannot grasp the significance of a measure which expresses a positive commitment to *full employment* rather than an effort to reduce the number of unemployed through broad policy and by some fixed amount. Dr. Nixon emphasizes the importance of enacting a firm assurance of work for every able-bodied person, including those not now counted as being "unemployed." The methods to be used in pursuing this goal can be flexible and adaptable, but the ultimate commitment must be definite and clear.

Dean Perloff analyzes the possible interrelationships between a full employment policy and the new administrative and decisionmaking decentralization implied in "revenue-sharing." In the process, he explores some related questions: To what extent can state and local governments be relied upon to implement full employment? Will their programs and services be adequately directed to the lower-income parts of the community? What should be the role of the federal government in this type of effort?

Dr. Sonenblum compares and contrasts the key provisions of two separate pieces of full employment legislation: the Hawkins bill (in its October, 1973, draft form) and a measure primarily sponsored by Senator Jacob Javits of New York at that time. Through this analysis, he demonstrates the degree to which each proposal is similar to or different from previous political or administrative approaches to the unemployment problem. He stresses the critical need for a national full employment *budget*.

Courtenay Slater, as a panel discussant, examines the political strategy necessary to secure passage of full employment legislation. While she believes that most Americans are prepared to support jobs for the unemployed, she also emphasizes that they must be fully convinced of the need for and social value of this additional employment.

*Russell Nixon*

I would like to say at the beginning that--since I have been involved in some of the discussions with the people here on the arrangements of this conference--there is a great deal of appreciation to be expressed to all of the UCLA people here for the arrangements of this conference. It's, I think, quite important as we are trying to open up for discussion a question which has been all too closed for too long a time. Congressman Hawkins said that he viewed the developing legislative drafting, in which he is involved, as a catalyst leading towards 1976. I think that's a very important perspective for us to have, viewing this as a beginning to develop a discussion and develop a model that will make full employment a very vital issue and one that will have political meaning in 1974, perhaps, and certainly in the 1976 election.

I had occasion to talk to Leon Keyserling some time ago, and he reminded me that there wasn't a single piece of New Deal legislation that had not had significant precursors in the form of legislation introduced years before, that had germinated, been talked about and developed. Those of us who followed the legislation of the 1960s know that the same thing can be said about the various pieces of antipoverty, manpower, youth, juvenile delinquency, and other legislation. I think it is healthy and correct to say that, in this instance, we are taking a new look at and putting a new emphasis on the entire issue of full employment.

I want to make just one other remark about the Hawkins bill that has been drafted in tentative form and in a couple of versions. I would emphasize to you that it is not a public service employment bill: it is a full employment bill. It is, in the first place, a statement of an absolute commitment of the government to provide full employment. It envisages a full panoply of policies, of which public service employment is extremely important, but it also would require an effective monetary and fiscal policy leading to growth in the economy. This is consonant with extension and development of existing manpower programs, designed to melt some of the barriers and lessen some of the structural difficulties we have, and that combination is the framework for public service employment. To think of the legislation as not including that entire mix would be wrong. The fact that in a bill like this, for very practical purposes, all of these other aspects are not spelled out does not mean that they are not assumed. And indeed they are mentioned, although briefly, in the entire framework of the Hawkins full employment proposal.

I think everything that has been talked about here today has been relevant, but I'd make a distinction. We have a first task here to establish as a basic national policy the commitment of the government to full employment. We must understand we do not have that commitment at the present time, that in the period which has gone by since 1945, we have moved away from it rather than toward it, and that the first thing which has to be considered here is the absolutely fundamental

question of a governmental commitment to provide full employment, to make a full employment program a reality.

Now, that is one aspect of it. Once you've done that--and here many of the things that have been discussed have their very particular relevance--the problems of how you implement and how you administer the full employment program raise endless questions of what you do with regard to the secondary labor market, what you do with structural labor-force problems, for example. I think to some degree we've tended to discuss primarily the secondary questions that would follow after we have made the commitment to full employment.

With regard to that, I have used the word "full employment" not knowing what I mean, or what you mean, and there are two very significant distinctions that need to be made, in my opinion, with regard to the meaning of full employment. It can mean a level of unemployment which is a certain percentage of an arbitrarily defined labor force. That is what we are mostly inclined to talk about: 2%, 3%, 4%, 5%, of a "rubber band." This has been the general orthodox approach. Another approach to the question of full employment does not rest upon numbers in that sense. It doesn't even rest upon a concept like Bert Gross' of at least a hundred million jobs, but is a simple basic proposition that a guaranteed work opportunity is provided for every person able and willing to work. These are two different propositions, and from them flow different policy implications, and I think we have to be clear about what it is we are discussing, and what our objective is in this respect. I think great differences flow from the consequences of whether we are talking about jobs for all--full employment--or whether we are talking about high employment and low unemployment or a certain percentage.

I would like to say just a few more words about the contrast of these approaches. The "full employment as a percentage of the labor force" approach, as I have mentioned, is the orthodox approach, and I suppose you can separate out liberals from not-so liberals, from, let's say, Senator Proxmire who holds hearings on how a two-percent unemployment rate can be achieved, to Professor William Fellner who gets ready to serve on the President's Economic Council and says we've got to shift from a 4% to a 5% goal of unemployment. And, as we know, we obviously have proceeded from 2% to 4% to 5% as our general approach in this area. This is a very dubious and a very arbitrary goal, and the important point to be made about it is that deficiencies in the official labor force estimates reflect deficiencies in our full employment goals, if we use that measure of approach.

It is really an item of interest that so many of us economists who like precision--we use advanced econometric models, we are very careful about all of this--have no hesitancy in using the very uncertain, vague, and rubber-band type concept of the labor force, getting down to very small statistical measurements in that process. Now, in contrast

with that, I think you have to face up to the question of what is meant by a guarantee that will say there are jobs for all who are able and willing to work. This is not a statistical figure. This would be a *situation* that would be established in the country. It is a very different situation.

In this respect it is interesting to note that 25 years ago all of the presentations with regard to full employment were put in these terms-- in terms of the individual's opportunity to have decent work. That's true if you want to talk about Beveridge [Sir William Beveridge, a distinguished British economist who outlined a full employment policy during World War II]; that's true if you want to talk about Roosevelt's bill of rights; it's true if you want to talk about the United Nations Charter. It's even true that Mr. Dewey, who ran for President in 1944, said, "By full employment I mean a real chance for every man and woman to earn a decent living." And if you read the preamble of the Hawkins bill, or the preamble of the Javits bill, here you have spelled out in very clear terms the *individual* obligation. Not the 2%, 3%, 4%, but a statement that every man and woman who is able and willing to work shall be provided with an opportunity to work under decent circumstances.

I am a little surprised at how hard it is for us to grasp that concept and to face up to its obligations and to try as economists and social scientists to match the *rhetoric* of our commitments with actual *program* and *policy* commitments by the government. There isn't time to go into this in detail, but it obviously opens up a whole variety of operational problems and necessities. I will just mention a few. It means we will have to have a whole new level of employability determination. Guidelines and machinery would be required to make this a reality. It means that we would have to move into the areas of job engineering, of job arrangements, of special employability and employment support, of special upgrading, mobility, and career support. All of this would make it a reality. It also would mean--and I say this very hastily--that we would have to move off the simple private marginal productivity and marginal utility kick, and begin to apply in the field of labor market utilization a new kind of net social productivity, a net economic welfare kind of concept, if we are to make it a reality.

I have already said this involves a *mix* of programs. The mix can vary depending upon your predilections. If you have great faith in the free enterprise system, you will then place a great deal of emphasis on the fiscal and monetary policies relating to the private market. If that doesn't work out, you move to job development in the public sector. In a sense, this is where "the proof is in the pudding." If you can provide full employment through the private sector, go ahead and do it. If you don't, the obligation and the guarantee is that the government will move in to take care of that kind of shortfall.

Now, it does in this respect--in this definition--give a new dimension to public sector employment. Public sector employment is not something we just invented. There are 13 million people employed on that basis right now. So, we are talking here about extension and readaptation. The assumption of this is that, properly prepared and administered and with necessary time, the needs for public service are practically unlimited. That assumption made, we can go ahead, build a reservoir of needs, build a reservoir of job opportunities, and be able to provide, through adequate manpower planning and labor market arrangements, a job opening for all of the applicants who come in and say, "Look, I want to go to work." It means, particularly, that we would no longer have to say we have 250,000 unemployed vets, we have a WIN program that flops because we can't get jobs for the women who have indicated they are willing to move off the welfare rolls; it would mean simply that we have guaranteed full employment.

That's a very quick presentation of a lot of things. The process would indeed be a process. It wouldn't happen all at once. It would emerge through developing machinery and sophistication of programs, but it would rest--and this I want to emphasize--on the basic proposition that you have jobs for all--full employment. The questions are: How much economic planning and economic direction does this require? Are we able and willing to accept this? What are the economic and political realities? Obviously, there are problems with government budgets, with inflation. There are problems of what full employment's impact would be on the wage structure, on the power relations of unions and employers, and on the role of the reserve pool of labor. What is the impact on welfare and income maintenance, and the dependency programs? There are many, many problems. But the final question is simply this: Is the emphasis, is the rhetoric, is the language, on providing a job opportunity for everyone in our society--jobs for all, full employment as United Nations and U.S. policy--is that just an illusion? Are we kidding ourselves? Are we serious? And if we are, how do we make it a reality?

*Harvey Perloff*

I'd like to address the issue that might be called the political economy of governmental decentralization with regard to full employment. I think we are diverging in terms of a thrust toward governmental decentralization, particularly with regard to revenue sharing and all it implies, on the one side, and the new-found concern for full employment and the secondary labor market, on the other side. The first may, in fact, destroy the possibility of achieving the employment ends that we are talking about.

Another conclusion, I think, is that probably we can't hope to achieve ambitious full employment goals simply by rewriting the Full Employment Act. It will take literally dozens of acts passed by the federal government to achieve the full employment goal. The focus on a new Full Employment Act provides too narrow a scope.

Let's look at three issues that are centrally involved in our concerns. First, job creation. Let's see what it means to play through the full thrust of revenue sharing, which, I suspect, will really gather momentum from now on out. In the past, the way up for the poor involved moving up from an initial platform of low-skill industrial jobs in the private sector. But now such jobs are hard to come by. Factories have moved to the suburbs; unions have set up certain barriers; and the service sector has become the biggest source of jobs. Thus, these new jobs tend to be increasingly inaccessible--physically and socially--to the poor. And if the poor are to have jobs, they'll probably have to be supplied in the public service sector, whether this is a conscious effort or whether it is just going to happen because of the growth of the service sector.

So, at first glance, revenue sharing would appear to be compatible with an effort to expand employment opportunities for the poor. Money spent through revenue sharing to provide and improve local public services clearly increases local jobs, not jobs in Washington thousands of miles away. But local services will not be improved and local jobs increased if the states and localities use the money to reduce taxes. That seems to be both a strong possibility if we take the events of the past year as suggestive of what is likely to happen in the future.

The second part of the problem is discrimination in public service. A number of studies have shown that this is quite a serious problem, and that there is discrimination effectively denying public service jobs to Blacks, Chicanos, the poor, and the undereducated. Unless these are eased, many of the poor will still be without jobs. Unfortunately, this kind of discrimination is built into the system of local decisionmaking. It took a long time to get the federal government to become interested in these matters and effectively reduce discrimination. We are a full generation or more away from the time when local politics is able to do the same thing. We ought to be fully aware of that.

If we take job training, we come out with a similarly pessimistic picture. Technological advances and changes in the economy have created a situation where even those just entering the labor force need some sort of skills, far beyond the skills needed in the past. Most job training programs directed to the poor have been initiated by the federal government, and while these programs--as has been pointed out time and again--are a mixed success, they do represent almost the only way that certain of the poor can acquire the needed job skills. The private effort has been pointed out as very small scale, often little more than a token gesture. Likewise, state and local governments with their orientation towards *service* programs, as opposed to *social* and *human resources* programs, have little experience in job training, very little indeed. If the decentralization of the federal government as prescribed by the strongest proponents of revenue sharing occurs, these federal job programs will surely be phased out and the funds

shifted to revenue sharing, or they will simply dry up. It seems unlikely that state and local governments can take up the load. Thus, even if revenue sharing does create additional public service jobs, lack of training would eliminate employment opportunities for very many of the poor.

One other item is support services, a subject that gets very little attention. These are public services directly related to facilitating employment maintenance. Most of us take these elements for granted, but they are extremely important for the "want to work" poor. For the welfare mother, for example, child care provides freedom to work. For the chronically undernourished, food programs provide the strength to work. For the emotionally troubled, psychiatric counseling may provide the stability needed to work. Any real commitment to full employment and jobs for the poor would demand a substantial improvement in these services. Such improvements may conceivably be financed by revenue sharing. The states and localities already have substantial resources committed to health, education, and welfare, and are beginning to make these operations more efficient so that the money will not be wasted. But the problem here is that in the past, increases in state and local budget have disproportionately gone to provide better services and facilities in areas which already have high-quality services while the problem areas tend to be ignored. It is a simple matter of political clout and the richer areas have the necessary clout.

Now, a few words about administrative aspects, the subject we are supposed to address ourselves to. Only if the following occurs will revenue sharing be consistent with the objective of full employment and, especially, employment of the poor: (1) if revenue sharing funds are spent to expand and upgrade local public services; (2) if state and local government discriminatory hiring practices are eased; (3) if revenue sharing funds do not come at the expense of federal job training programs, and an effort is undertaken to build a state and local job training capability; and (4) if state and local governments not only use revenue sharing funds to create jobs, but also to upgrade the support services in poor areas. These requirements suggest that further discussion is needed about refinements in administering revenue sharing and deciding who is to do what.

Against the background of what I have sketched, here are some possibilities that I think deserve attention. First, the insertion of a strict antidiscrimination clause that would provide for cutoffs in revenue sharing funds to governments found in violation; clearly, a very potent measure, but without it I suspect we are going to find a continuation of present practices. Second, encouraging the establishment of new governmental units--community governments of various types, if you wish--so that poor areas can be made directly eligible for federal revenue sharing funds. This is a critically important element. What are the governments that will get the revenue sharing, and how are they organized, and what are their politics? One of the surest ways

of providing for a channeling of funds to those governments that will be concerned with the problems of the poor is to be sure that the poor are represented in those governments, and I believe that means the creation of quite a few new governments. Third, the review through regional governments, or COG's--Council of Governments--of the A95 type of concern with regard to the use of funds for training and support services similar to our approach to land use today; A95 is a regional review of what happens within an area. Still another possibility is providing for revenue sharing, weighted according to state and local actual assistance to the poverty groups rather than merely relative to the proportion of such groups in the population. The present provision on revenue sharing is a double insult. It weights governments in regard to the number of poor they have without making any provision at all to see to it that the money given is really directed to the poor.

Finally, it seems to me that we ought to think very seriously about the employment aspect of special revenue sharing. As defined at the present time, special revenue sharing does not have any of these objectives built into it. I haven't got time to develop these ideas. The main point is that revenue sharing must be adjusted to the realities of full employment aspirations and current governmental practices if the objectives we are concerned with are to be achieved.

*Sidney Sonenblum*

I would like to compare Senate bill S1693, the so-called Javits full employment bill, with H.R.3984, the full employment proposal emanating from the House, particularly Representative Augustus Hawkins. I consider the Senate bill a continuation of the tradition which has developed in this country since 1945, and has established full employment as a target to be achieved by economic policy. The House bill I consider to be a dramatic departure from this tradition. By comparing the two proposals I hope to highlight some critical concerns relating to the feasibility and implementation of any full employment policy.

Most of these concerns have already been mentioned. The first issue relates to the difference between an opportunity and a right. The Senate bill is in the tradition of the Employment Act of 1946 because it relies on economic policy to provide the opportunity for gainful employment to those willing and able to work. The reasoning is that federal fiscal policy can be used to maintain aggregate demand at a sufficiently high level so that job opportunities will be available. The nation has the capacity to provide sufficient job opportunity, and it is the responsibility of the federal government to see to it that the nation reaches that capacity. The Senate bill, as the 1946 act, is not so much a full employment bill as it is a rapid economic growth bill.

The House bill also assumes the nation has the capacity to provide sufficient job opportunities. However, such capacity is almost irrelevant to the House bill, for it says that opportunity for employment is a *right* held by every American--not an opportunity conditioned by whether the capacity exists, but a right inherent in the Constitution. The federal responsibility is not to provide opportunity, it is rather to enforce the constitutional right. The House bill is not so much a full employment bill as it is a job guarantee bill, and a job guarantee bill is very different from a rapid economic growth bill. Indeed, at some point, they might become incompatible. We should recognize the possibility of such incompatibility, and we should also recognize that when a choice between the two becomes necessary, each of us will decide in terms of the values we hold and the kind of society to which we aspire.

The second issue I am concerned about relates to who is going to benefit. Both bills target on special groups: the old, the young, the minorities, etc., who are without jobs or who are working without receiving sufficient income, those who are willing and able to work. As a digression I'd like to suggest that a serious question arises as to whether this nation is giving sufficient attention to the welfare of those persons who cannot be in the labor market and whether an employment-oriented policy will result in even further disregard of their needs. My main point, however, is that the Senate bill has a very different emphasis than the House bill regarding "able and willing to work." The Senate emphasizes the "able" part. The Senate bill still clings to the belief that structural unemployment is a major factor in preventing full employment. Thus, the Senate is much concerned about adequate manpower training which will make people able to work, and provides funds for creating skills, particularly in areas of critical social need. The House bill is less concerned with creating skills to make people *able* to work. It focuses on those people *willing* to work. By the creation of job guarantee offices, willingness to work becomes the essential criterion for eligibility. The assumption is that willing workers become able workers. I happen to believe the assumption is correct. To the extent that others disagree, I would expect great difficulties in obtaining passage of the House bill.

The third issue of concern is that of decentralization. The House bill in its current draft form seeks to promote a maximum feasible dispersion and decentralization of power. It seeks to achieve this by implementing and administering its program through the U.S. Employment Service, an essentially decentralized agency. The intent of this decentralization, I take it, is to provide a high dosage of local control. It is perhaps assumed that by going through a well-established and respected agency, local control will become more palatable, and the negative overtones of community action will be averted. If the objective is to give the poor greater responsibility in programs for the poor, I don't believe it will be achieved by this route. But more important, such an objective may itself be inappropriate. Unemployment is essentially a national and not a local phenomenon. The Senate bill more clearly recognizes this and takes the position that, while decentralization of the manpower delivery system is desirable, it is essential that decisions

be made in terms of national economic factors and policies. We have had very little success in applying techniques of local control to problems which originate at the national level.

The final issue with which I am concerned relates to the utilization of the information which each of the bills requires to be generated. The Senate bill calls for an annual full employment *report*. The House bill calls for an annual full employment *budget*. A report is a description of where we would like to be. It can be ignored. A budget is a policy. It cannot be ignored. I do not believe this nation can maintain full employment with reports. It is time that annual detailed full employment budgets become part of our information system, both as a guide to policy and as a statement of policy. So long as such budgets are not provided, I for one will doubt the feasibility of, and the commitment to, full employment which is claimed by both the House and the Senate bills.

*Courtenay Slater* (discussant)

I would like to comment on Russ Nixon's basic point that the Hawkins bill is concerned with a commitment to full employment in the sense of guaranteeing a job to everyone who is able and willing and desirous to work, and that hopefully we will talk about it in those terms rather than in terms of some specific unemployment rate at which we are aiming. I think we need to talk, too, about what that kind of commitment would mean in quantitative terms, because unless we have some notion of the magnitude of the number of people involved, it would be difficult to execute such a policy even if we were able to write it into law.

Bert Gross mentioned a number this morning of a hundred million jobs by the late 1970s. Well, that is a wonderful round number, but just trying to do calculations in my head about the size of the labor force now and the amount of expected growth of the adult population every year, I don't think that would be nearly enough jobs. I think a hundred million jobs by 1980 would barely keep us even with where we are now. We'd still have 4 or 5 percent unemployment. We'd still have millions of women not being counted in the labor force, even though they are essentially willing and in many cases eager to work. We'd still have a 10 percent unemployment rate for Blacks and a 15 percent unemployment rate for teenagers, because we need a hundred million jobs just to take care of the growth of the adult population. So, we have to think in terms of a larger number of, say, 110 million, which might be a minimum. It might be more than that.

Suppose we say we need 110 million jobs in 1979, to pick a number; that means creating some four million jobs a year, from now till then, which is a much more rapid creation of jobs than we have seen in the past. A question that needs to be asked, that we haven't asked very

specifically, at least today, is: What kind of jobs are these going to be? What kind of jobs are these people going to do? Do we have four million new things that we need people to do, that we want to see done every year? And want to see done badly enough that we are willing to pay for this extra work? Pay for it either through the market, buying things privately, or pay for it through our taxes buying additional public goods. Do we have enough jobs that we are willing to pay to see done, to employ 110 million people in 1979 or 1980? Because if we don't, then we ought to be looking at measures to spread around the existing work; we ought to be looking at early retirement and less overtime and more part-time work, so as to spread around the unemployment, or the leisure, whichever you want to call it.

My presumption is that there is plenty of work to be done and we can use the full-time services of 110 million people in 1979. But in order to sell this to Congress and to the American people, somebody has to sit down and make a list of the jobs we want to see done--very carefully, not just rhetorically. We need more health services, yes. We need more day care centers, yes. But where do we need more health services? How many doctors do we need? How many other kinds of medical personnel? What is it going to cost us? We need the kind of detail that people will look at and believe and say, "Yes, work is there to be done, and it's work that I want to see done."

The only time we ever really had full employment was in World War II, when we had it by accident. Not because we felt that people ought to have jobs, but because we felt that we had to produce these guns and bombs, and so forth. A story this morning brought that up. When we needed to enlarge Fort Knox, we hired carpenters. But it wasn't because we felt sorry about those people having to work as weavers; it was because this was a job we wanted to see done.

I think we will vastly increase the political support for a policy of full employment by not only going out and telling the people, "Here is a policy which will raise incomes, which will get people off the welfare rolls, which will cut down crime in the streets because we won't have so many idle people hanging around with nothing better to do." We will tell them that. But we will also tell them, "Here is a policy that will get the work done that you want to see done; that will get the doctors into rural areas and that will train people to be automobile mechanics so that you can get your car fixed in a way that it will stay fixed." Somebody needs to make a list of these jobs that people really want to see done. And if we can't make a list and come up with enough jobs, then why do we need full employment?

This is, I think, the main point that I would like to make. We've got to look very hard not just at the needs of the people who want the jobs, but also at the output and the goods and services that

they can produce. We've got to sell both sides of this package and unless we can tie them together, I don't think we'll have a politically viable package, because, unfortunately, I don't think there are that many people in the country who are that concerned about those out of work. They might be glad, however, to see the things they could be getting in the form of additional goods and services--primarily services probably--if we had more people at work and if we had an economy that was producing a larger volume of output. Obviously, it will have to be the kind of output that we need today. We can't go back to the kind of output we needed in World War II, which was defense. We can't do it through the manufacturing sector by putting more people on the assembly line to produce automobiles, because the number of jobs we need just aren't there in that sector. We've got to look at the service sector, both public and private services, and figure out what we need done. And we must begin to feel that we need them just as urgently as we thought we needed those guns and those bombs in World War II. Unless we do that, I don't think we have a politically realistic idea that we are going to sell here any time soon.

*Dean Perloff* (an added comment)

I'd like to make another point. We have a very good example here, locally, as to what is involved with both supply and demand; in the Martin Luther King hospital complex that has been built, based on the idea that there are very special needs in a minority community with a good many poor people which are going to be met by publicly initiated and supported activities. The result has been, I think, truly magnificent. Not only are they for the first time providing the kind of services whereby they are trying to reach people who have not been reached before, training a tremendous proportion of paraprofessionals, and so on, but they are also providing thousands and thousands of jobs. I am convinced that that kind of activity is absolutely keyed to all our needs of the future. We need thousands of them--to put it that way--across the country. I can't see that happening without the kind of pressure that comes from a concerned *federal* bureaucracy, with help from the state and local governments.

**Panel V**

*Wrap-Up Session*

*William Spring*, Fellow, John F. Kennedy Institute of Politics,  
School of Government, Harvard University; staff member, U.S.  
Senate subcommittee on Employment, Poverty, and Migratory  
Labor

*Eaton H. Conant*, Director, Institute of Industrial and Labor  
Relations, University of Oregon

*Loughlin McHugh*, Senior Economist, Joint Economic Committee

### Introduction to Panel V

The summary panel explores the political and institutional context in which a full employment policy must be developed. Each panelist brings a different perspective and expertise: William Spring is a legislative staff member who is directly knowledgeable about the process through which manpower legislation is drafted and enacted; Loughlin McHugh is the senior staff economist with the Joint Economic Committee, with special concern in the abstruse but important fields of monetary and fiscal policy; and Eaton Conant is a labor economist with a long-time interest in the qualitative aspects of work.

Spring considers the general public appeal of a full employment program, arguing that *work* is a much more popular and acceptable approach than is *welfare*. He explains the legislative circumstances under which this kind of legislation becomes realistic.

Conant finds some of the broad economic considerations indispensable to a realistic campaign for full employment legislation, however annoying and confusing they may often be to noneconomists. He also points to the increasing concern about the content and substance of work, noting that this reflects a general shift in emphasis from mere *quantity* to *quality*. Based on his observation and experience, he warns about the capacity of private employers to thwart social policies and suggests the inevitability of financial incentives as a means of offsetting their natural resistance to change.

McHugh underscores the necessity for reevaluating budgetary priorities, transferring expenditures to the domestic side of the budget where urgent unfilled needs exist. He foresees a continuing necessity for a combination of monetary, fiscal, and "incomes" policies.

*William Spring*

I'm not an economist, and I guess those among you who are not economists must share some of my sense of a head-spinning feeling about some of the debates that have been going on in the course of the day. Lord Keynes at one and two removes today was discussed, when he said something to the effect that people who stand up and pound the table and just talk about "sound policy" and none of "this economic nonsense" are really the captives of the economic thinking of their teachers. I think we are in a similar situation today, where the perception of the problem we are trying to deal with is absolutely crucial to moving ahead on full employment. The one thing that is apparent--even to a noneconomist like me--is that there is some disagreement within the economic community itself. For instance, if you ask the Congress of the United States to come up with a multibillion dollar program to help those people who are unemployed an average of one month, it is just not going to do it. There is a real political question in the air now, raised by economists like Herbert Stein and others, as to whether unemployment is real, which makes the effort difficult to come up with programs to reach full employment. We are in the midst of a debate about the nature of unemployment. We've heard a lot about it today, for example, about the secondary labor market. If you recall 1939, unemployment in this country was 17 percent of the labor force on the average for the year, just an unbelievably high number. That's about 9 million people unemployed for the year. Four million of those people were employed on government-subsidized work programs (not what Russell Nixon was talking about, the 13 million we now have working on government programs) working for WPA and building swimming pools like the one in Greenfield, Massachusetts, that I swam in as a boy, and so on.

When you have unemployment of that magnitude, then it's a red-hot political issue. The feeling was, when the war was coming to an end, when the enormous defense spending ended we were likely to be back in the same boat; we'd again have very high unemployment. In that context it was possible to make major politics out of full employment policy. Unfortunately, in conference the word "full" was explicitly dropped from the Employment Act of 1946, and that has had some very sad results since then. Now the situation we face is that the political pressure felt by Senator Gaylord Nelson and other members of the subcommittee isn't really for full employment. Instead, it is to avoid any more inflation and also to avoid taxes, which again makes the movement for full employment legislation difficult.

Somebody said he saw little difference between public service employment and just any kind of stimulation of aggregate demand. One of the key arguments for public service employment is that it's not like a fiscal or monetary tool--where you either blow up the whole economy or let some air out of the balloon. It is targeted. It puts the federal expenditure immediately into accomplishing something which

needs to be accomplished most--providing jobs--and therefore even if it's just spending, the inflationary impact should be somewhat less, because it should be efficient.

Well, that having been said, it's curious that when we talk about welfare policy, many of the economists who've been telling us that unemployment really isn't so serious are at the same time telling us that we ought to seriously consider a mammoth income transfer program, a mammoth welfare program. The fact of the matter is that welfare proposals are extremely unpopular, even with a number of liberal senators who are for them if that's all you can do. A job solution to the poverty problem is very *popular*. It is popular not only in Congress, as I will talk about in a minute, but it is popular with the general public. When Senator Kennedy chaired hearings on the Democratic platform in Pittsburgh, he went out one night to the volunteer fire department of Westmidland borough; it was packed with about 600 steelworkers and their wives. Senator Kennedy tried very hard to draw the attention of the audience to tax inequities, unfair load on steelworkers and unfair tax breaks for the rich. They weren't much interested, but they were interested in welfare. They were very upset about welfare and several people suggested that what we need to do is to bring back the WPA. "Why don't we provide jobs for people who are poor enough to be eligible for welfare?"

The Nixon Administration, I think, has done this country a number of disservices. One of them is that, in considering economic policy for the poor, we've had a lot of irrelevant criticism of the Emergency Employment Act. The number-one criticism is that its policies are diffuse. I remember, in the process of drafting it, one day somebody came up from the Administration and, in exasperation, finally said, "That god damned bill. There is something in it for everyone," and we were just delighted to hear that; if you want to pass an expensive piece of legislation over the adamant objection of the Administration, you've got to have something in it for everyone. So the bill had a multi-targeted warhead, if I may put it that way. It, in fact, was drafted at a time when--just to give you an example--one of the cosponsors of the Emergency Employment Act, in January of 1971, was a midwestern Republican senator, not a particularly conservative senator, but neither is he particularly liberal. He is one of those swing Republicans; he was a co-sponsor right up there in the front. Unemployment in a leading city in his state was 12 percent, and I just think there was some connection there. In fact, when unemployment got to be over 6 percent in the nation and you could put together those people who are concerned about jobs for the poor with those who had a larger concern about where the country was going and about jobs for their constituents from what Peter Doeringer and Ben Harrison would call the core sector of the economy, you can build great political support for passing legislation. Let me emphasize that this was perhaps the most important--certainly the most important piece of *manpower*--legislation in the Nixon Administration, and maybe one of the key

pieces of social legislation, to actually pass into law. But it passed over the objections of the Administration. In fact, what happened is that there was also an accelerated public works bill that had passed at about the same time, and that one was vetoed and Nixon did sign ours. The argument they gave, interestingly enough, is that public works are now so capital-intensive--it takes \$12,000-\$14,000 to create a job--whereas in our program you could create a job for \$3,000 and get somebody back to work for that little.

Anyway, what I am trying to say is that the Emergency Employment Act represents the strong support in Congress for job-creation legislation on a certain scale. It's hard to tell how high. In July, again, the Administration being silent this time, the Senate passed an extension of the EEA, an extension, incidentally, which just tightened up its requirements for who is eligible. You've got to be either a veteran, or poor, or long-term unemployed, to get into the program at all. It passed by something like 74 to 21--don't hold me to the precise figures. The manpower bill passed 88 to 5, to give you an idea of what we are talking about. I think that the vote Congressman Hawkins referred to earlier today, in which an effort to pass a rather substantial expansion of the Emergency Employment Act failed on the House floor, may not be as damaging as it first sounded. I think there were some procedural matters involved, but the point I am trying to make is that voters are in favor of jobs for the poor. However, jobs at what pay and how structured and how many is very unclear at this point.

The fact that someone as conservative as Russell Long on the Finance Committee should propose, as an alternative to the Nixon welfare proposal, a kind of guaranteed job program--although at a very low wage--indicates there is a reservoir of concern about providing adequate jobs for the poor through federal action. Everyone in Congress, myself included (and I have thought about very little else these last couple of years), is really quite uncertain as to the details that such a bill ought to follow. I think I respond very strongly to the idea that we ought to proceed with the jobs program as a kind of an extension of the civil rights effort of the 1960s--the right not to be discriminated against and the federal government should enforce that--trying to proceed on a similar model, a right to a job and the federal government ought to enforce that. I was very moved by Russell Nixon's presentation of it earlier today. Yet, at the same time, I don't know how far we can go in that direction. I'm not sure how widely the sense that there is a kind of moral obligation to provide jobs is felt in the body politic, if the trade-off is inflation.

However, the situation in the long haul is really quite hopeful, at least as I judge it. The benefits of full employment are so enormous, and the cost in foregone taxation and matters that need to be done not being accomplished--lives being wasted, social tension--the cost of the

current situation is so great, and the American work ethic, at least in political rhetoric, is so strong that I think a really well thought-through, technically convincing *jobs* program could pass, a program which has the support of a number of reputable economists. This does not mean that economic opinion has to be unanimous in support of it, but there must be a number of reputable economists who don't just say, "Sure, I'll testify to your committee. You want me to be for public service employment? Right, I'll put a paragraph in on that." I mean going beyond that, and thinking through all of the implications of a real commitment.

A program such as that has an enormous chance of being politically accepted. It would have to, of course--since it is such a broad concept--be offered by an incumbent Administration. I think we have to wait upon another incumbent Administration, however, and I think that's really our target of opportunity. What we have to do over the next--and it's really not that long--year or so, is to work out in detail a major job-creation program which includes (as everyone really has agreed in principle here) a major public service component as well as economic development funded at a serious level. You know, very few people realize that we've put a lot more money into Head Start than we've put into economic development in this country. Aside from a road building program in Appalachia, the Economic Development Administration has--a dozen years after the great Senator Paul Douglas' efforts to get the original EDA legislation passed--less than 300 million dollars a year in funding, and, along with community action agencies and the Emergency Employment Act, there was an attempt to kill the Economic Development Administration by the Nixon people last January.

A full employment program would include fiscal and monetary policies to press the economy forward. Someone has to work out in detail what we are talking about in terms of an incomes policy balanced against a fiscal and monetary policy. We really have to put all of that together, and on fairly short notice. I think that there is the potential political support for a job strategy. There are a sufficient number of economists who are interested in working on the problem, so that it in fact can be accomplished, and I think this meeting here in Los Angeles today, in some ways, is a very hopeful thing. Russell Nixon and Ben Harrison and I have been talking about these ideas for four or five years now. When I first came to the Manpower Subcommittee back in March of 1969 I remember talking to a very great name in manpower, and when I talked about the need for public service employment and the foolishness of pursuing training programs with no jobs on the other end, he told me to stop wasting my time, and when we were pressing for a major public service component of the manpower program that was vetoed in 1970, he tried to get the mayors to oppose that provision in the bill. "All you want is control over these little manpower programs, don't press for public service employment," and he said it's an unrealizable proposition; of course, everyone says it would be good if we could get it.

Well, in fact, it was not an unrealizable proposition, and it wasn't a foolish thing to talk about, and now virtually all of the manpower profession is in favor of public service employment--on a modest scale, naturally. I think the progress we've made in the last few years ought to give us great hope that we are *not* at the end of the decade of the 1960s, at the tail end of an effort that failed. The efforts against poverty have gotten a very bad rap by some; the fact is that they have been necessary but not sufficient. The things they've accomplished, like the Martin Luther King Hospital near Watts and many other projects, have been simply magnificent. But they have been underfunded or the funding fell away, and the red tape and administrative confusion and the lateness of funds every year have created a situation where programs run by much more highly paid professionals would have fallen apart. In fact, the dedication of people running these programs has kept them alive and they have been very effective, but they haven't meant jobs. They've meant services, an administrative services strategy. I think we have moved past the services strategy. I think we are at the point now where we really are ready to move ahead, to begin to fulfill the promise of Roosevelt back in 1944--a job for everyone at decent pay. This conference is an enormous step in that direction and it's an effort in which we all are going to have a share over the coming months.

*Eaton H. Conant*

Throughout this conference it has been interesting to observe the interaction between economists and noneconomists and what they may be learning from each other about implications of full employment legislation. The economists have taken their customary role identifying potential constraints to the effectiveness of full employment legislation that have sources in macroeconomic and labor-market operational considerations. The noneconomists present have tended to bridle at economists' suggestions that effective legislation will have to consider employment and inflation trade-offs and employment practices in primary and secondary labor markets. Few persons among those present identified themselves as opposed to substantial public expenditures for jobs. I take this as another indication that this is an idea or norm for public policy whose time is coming. But what economists had to say to others here who are advocates of legislation is that legislation will come more quickly and be implemented more effectively if some facts of economic life are considered early.

One of these facts is that with the present or any subsequent federal Administration, it will be difficult to enact legislation to spend billions for jobs without evaluation of the employment and inflationary impacts of expenditures. This is not only evaluation that economists would prescribe should be done. In the political arena it will be done, and evaluations will be used by both partisans and opponents

of the legislation. At a minimum, then, the implication of economists' messages about larger economic impacts is that advocates of full employment legislation are likely to get more of what they want if they learn more about the macroeconomic policy implications of the legislation.

The attention the economists present have given to job market organization has been very worthwhile. Billions could be spent for creation of public or private sector jobs even while we have abundant information that job markets are organized along lines that preclude the poor from entry to more permanent and remunerative employment. The distinctions made here today between primary and secondary labor markets are worthwhile elaborations on distinctions that economists have made for decades. Your distinguished Californian, Clerk Kerr, many years ago depicted our labor markets as employment settings that are increasingly segmented for purposes of allocating opportunities to those within markets while they limit opportunity to those without. Full employment legislation and programs to implement it must acknowledge these barriers in internal and primary labor markets because the barriers are distinguishing factors of modern occupational life.

In my experience in studies with many companies, I have been enormously impressed with the ingenuity of employers who are able to manipulate hiring, training, and other employment functions in order to achieve their employment goals--goals that are often at least incidentally not consistent with public employment goals. I am sufficiently impressed in this regard so that I believe full employment legislation that might try to open job opportunities by restricting employer choices will fail. Instead of negative sanctions, then, what is required is legislation that accounts for these market structures and offers employers financial incentives for changing practices and offering employment opportunities. I realize this will not be a popular recommendation for those many persons who have concluded that the result of legislation in our society is usually to allocate more resources to those who have rather than those who have not. But manipulation of incentives for employers, I believe, is a necessary complement to funding for jobs.

One other area of discussion at this conference made me realize how much our society may be advancing the jobs agenda and raising social aspiration levels concerning adequate work for the poor. Charles Holt, in his discussion, included the objective of enhancing job satisfaction among the population as one emerging goal of public employment policy. Nearly ten years ago, I was a participant in research that probed this area in a reasonably original study. The study was published and was well received by a very small number of specialists, but it sank out of sight in the general knowledge pool without making one ripple in the surface waters of topicality and relevance. As Charles' remarks indicate, the job satisfaction focus has now become relevant as we have come to realize that qualities of jobs, as well as job opportunities per se, are of great importance

to the disadvantaged. I mention Charles' remarks and that earlier experience of mine because these matters suggest something substantive about progress in concepts about necessary requirements for employment in society.

My attendance at this conference, and other sources of observations, suggest that public funding for jobs, to a large degree, is an accepted practice in our society. With this acceptance, the society may be ready to consider another dimension: quality of work in addition to availability of work. Perhaps societal consideration of the work satisfaction objective indicates that objective one--provision of jobs--is no longer a major issue. The questions are shifting to focus on how much expenditure for how many jobs, in primary or secondary employment, and for what quality of jobs? For those who are advocates of full employment expenditures, these are some of the questions they should turn to consider more intensively.

*Loughlin McHugh*

I'd like to close on a political note, since I am not a labor economist; I deal, I am sorry to say, only in macro-affairs. I am worried about the failure of Congress to assert its prerogatives in the area of monetary and fiscal policy. We on the Joint Economic Committee staff--and the members of the committee--have been trying for years to get Arthur Burns and his predecessors to tell us why it is that they changed the money supply by so much over such and such a period. Burns finally agreed to send us a quarterly report, and it's nothing more than a draft of an article that's going to appear in the forthcoming Federal Reserve Bulletin.

The Federal Reserve is not an independent agency. It is a creature of Congress. I think in some way or another we ought to get this point across to the members of Congress and to the American people. The same thing, I think, is true in the area of fiscal policy. I am very much disturbed by the apparent near-unanimity of the members of Congress in accepting the concept of a spending ceiling, and a ceiling that has to be somehow or other below what the President has pulled out of a hat somewhere.

I am also concerned about the unwillingness on the part of a number of congressmen to look into the *structure* of the budget. I still think military spending is considered to be beyond the pale. We can cut spending to a certain degree, but after that it becomes a sacred cow. And there is no real discussion, at least as I see things, of the fact that we can get a lot more money for "national security" by taking care of the needs of the people here at home, instead of deciding what we have to spend in order to keep 400,000 or 500,000 troops over in Europe when we have already reached a *détente* with that other great major power.

So, I would make a plea to the congressmen to see that we can get some control over monetary and fiscal policy on the part of the Congress, and I might add a very selfish note in this respect: I think what is sadly lacking on Capitol Hill is an adequate economic staff. Every time there is an election coming up, the Joint Economic Committee gets all kinds of calls on some of the most simple questions because many legislators and their staffs have not been following monetary and fiscal policy. Therefore, I would say that as part of the process of getting congressional control over such policy, they need an adequate staff of economists to advise them on the economic aspects that are involved in getting to and maintaining full employment.

Closing Remarks

*Congressman Augustus F. Hawkins*

Almost one fourth of Americans in our "affluent society" live in economic deprivation and poverty. The effects have profound influence on the lives of every single citizen and the staggering costs--direct and indirect--are borne by us all in welfare and unemployment benefits, mental and physical care, revenues lost, and delinquency and crime.

Real full unemployment is crucial to the solution of this pervasive and paramount domestic problem. Appropriately, several conferences have recently addressed their concerns to this issue, including the UCLA symposium recorded in these proceedings and another gathering of distinguished scholars at Columbia University in March of this year.

Out of these discussions, we have drafted a meaningful legislative proposal designed for introduction in this session of Congress as "The Equal Opportunity and Full Employment Act of 1976." Major considerations of policy and conceptual theories have been balanced with practical and sound economic thinking to achieve what we believe to be a rational approach to a stable economy and equitable society.

Conceptually, the idea of full employment has been beclouded by defining it in terms of unemployment as an arbitrary percentage of a fictional work force. This approach lumps together full- and part-time, overtime, underpaid, discouraged, and subsidized workers in a common pool of meaningless statistics on which, nevertheless, policies are based.

The Act which we propose differs in various definitive ways from the Employment Act of 1946, which emasculated earlier attempts to enact full employment. These main differences are:

(1) The right to equal opportunities for useful paid employment at fair rates is guaranteed to *every* American without regard for some percentage of prevailing unemployment. Without this, the right to "life, liberty, and the pursuit of happiness" is a pious and meaningless phrase.

(2) This right is then implemented by machinery for the delivery of an actual job opportunity through local planning councils, under existing governmental bodies, and by a Job Guarantee Office in a totally different and reoriented United States Employment Service renamed "The United States Full Employment Service." Failure to place a job applicant through this regular system and inability of jobseekers

to find employment elsewhere would activate temporary and transitional employment in a special pool of public service on a standby basis. Legal redress for violations is available in the courts. Job applicants thus are not left to vague and often nonexistent job openings, to intense job competition, or to underpaid or illicit activities.

(3) Accountability is built into the proposal through a periodic reporting system. The executive branch is primarily responsible for maintaining economic performance and reporting on accomplishments, trends, and projections, subject to review by the Congress. In turn, the Congress, through its Joint Economic Committee, after review may initiate alternative recommendations and institute the initial stages of action which the President must approve or disapprove. Thus, neither branch of government could "pass the buck"; nor would the victims of poor policies be made to suffer for the mistakes or inaction of policy decisionmakers.

In establishing 1976 as the target date for passage we have encouraged full national debate on this vital subject and created the opportunity to develop a full employment strategy for accomplishing intermediate programs (child care centers, public service employment, new careers, economic development, transportation systems, conservation, environmental control, etc.) that comprise components of the goal as well as facilitate its achievement.

Thus, we view full employment as being in the national interest, essential to personal liberties and a free economy, helpful to individual development and society as a whole, and necessary to the well-being of families and to the national security. No other single issue affects as many people and in such vital ways.

Summary

*Paul Bullock*

Although there were the usual quarrels over technical terms and concepts and some genuine disagreements over policy, these proceedings reflect a surprising amount of concurrence on fundamental economic questions. The panelists, for instance, uniformly reject the notion that high levels of unemployment should be permitted in the interest of "controlling inflation." They agree that a *combination* of fiscal-monetary and structural approaches is essential to an effective campaign against chronic unemployment: one approach without the other would only be abortive. The economists, including the Keynesians, warn unanimously that the simple countercyclical policies of the past --countering downturns by deficit spending and inflations by surpluses and higher taxes--will no longer suffice for the complex problems of the 1970s.

Certain of the panelists, most notably Alan Sweezy and Loughlin McHugh, favor a longer-run form of "incomes policy"--wage-price controls--as a means of offsetting any possible inflationary impacts of a full employment program. Others, such as Peter Doeringer and Bennett Harrison, go beyond this already heterodox viewpoint and suggest basic changes in employer policies and, indeed, in the structure of the American economy itself. Persuaded that the presence of many marginal, low-wage firms in the private sector leads to underemployment, excessive turnover, and substandard incomes or working conditions, they advocate new measures which may well induce further industrial concentration and consolidation. Clearly, this would run counter to the preferences and predilections of those more orthodox liberals who remain committed to "free competition" and trustbusting.

This unorthodox approach reflects a conviction that the primary sector of employment, with its higher wages, greater security, and job-related benefits, must be vastly extended and, in effect, made accessible to the many millions of Americans now excluded from it--particularly certain racial minorities, the unskilled and uneducated, and large numbers of women and younger and older workers. This may mean, inevitably, some elimination of low-wage, nonunion employers. Both Bennett Harrison and Fred Schmidt express interest in proposals to *raise* the minimum wage substantially, directly challenging the neoclassical position of economists, such as Milton Friedman, who demand the reduction or abolition of that federally enforced minimum.

Although this implies a further extension of unionization, the advocates of such far-reaching reform do not exempt unions from their call for change. Unions, in their view, must be prepared both to

accept many new members into their ranks, on completely nondiscriminatory conditions, and to introduce more flexibility into their programs and agreements. Among other things, a flexible work week, new mixes of part-time and full-time employment, less rigid apprenticeship requirements and similar types of restrictions on labor-market entry, and measures to enhance labor productivity may be on the agenda.

The panelists, in general, agree that an expanded program of public service employment, directed to useful and socially constructive projects, can be an important weapon in the fight against unemployment. Some of the symposium participants, such as Bennett Harrison and William Spring, argue that such employment has inherent qualities and advantages which make it superior to other types of antipoverty or employment-generating programs, although Harrison warns against an *exclusive* reliance upon that one approach. For example, public employment is more stable and more equitable (in terms of income differentials) than is private employment, and for large numbers of Americans government jobs pay better. Both Doeringer and Harrison are concerned that such employment be made permanent and meaningful, rather than merely "transitional"; otherwise, they suggest, a new kind of secondary labor market or "second-class citizenship" may arise in the public sector. Doeringer makes the point that the funding for public employment should be sufficient to permit adequate supervision, on-the-job training, materials and equipment, and other components of "real" work, in order to assure that the jobs have substance and genuine career potential.

Frank Levy and Michael Wiseman, who have made intensive studies of public employment in the San Francisco area, conclude that appreciable numbers of jobs could be provided in the governmental sector, at wages and under conditions which frequently are superior to those prevailing in the private sector. They suggest that, with less financial stringency at the local level as revenue-sharing money comes from Washington, communities may be more inclined to develop useful "first-resort" employment for the unemployed and underemployed. It is important, they believe, that such programs be specifically targeted at the genuinely disadvantaged groups, and not misused to generate good-paying jobs for those who are already fully employable. They agree with William Spring that *employment* programs are more acceptable politically than are welfare or income-maintenance proposals.

Courtenay Slater also holds this general viewpoint, but counsels that, *strategically*, it is necessary for supporters of a full employment policy to "sell" it on the basis of concrete evidence that the need for such additional public work exists. She believes that an inventory of unfilled public needs should be developed and publicized before the proposed legislation comes to a vote. Vernon Jordan Jr., of the National Urban League, shares her concern with the *strategy* for achieving full employment, arguing that this issue transcends racial and geographical lines and, in fact, can bring together many different and diverse groups in a common cause.

Sidney Sonenblum and Harvey Perloff inquire into the governmental and administrative relationships underlying a full employment policy, and suggest that firm federal leadership remains indispensable, despite recent trends toward "decentralization." Dean Perloff warns against giving a "blank check" to local jurisdictions, arguing that communities frequently are more responsive to the interests of the economically more powerful than to those of the poor and the minorities. Sonenblum calls for a national full employment *budget*, which will be concrete and specific and more meaningful than a policy declaration.

The disagreements expressed at the symposium focus mainly upon differing perceptions of the phrase "full employment." Economists such as Alan Sweezy and Charles Holt tend to think in terms of policies to reduce the existing volume of unemployment through some combination of fiscal-monetary and structural measures, while strong advocates of full employment legislation such as Bertram Gross and Russell Nixon reject this approach completely and demand a reorientation of thinking. Nixon and Gross argue for a commitment by the federal government to assure useful employment for every American willing and able to work, regardless of whether he or she is currently counted as being "unemployed" or "in the labor force." This conception, they assert, is far different from the more conventional view held by Holt and Sweezy. The latter are concerned that this may be too sweeping an approach, and seek to define the problem and its possible solution in more "manageable" terms. Eaton Conant, in his remarks, analyzes this conflict and suggests that the advocates of positive legislation may be more successful if they take heed, in advance, of its larger macroeconomic policy implications. He points out, too, that the symposium discussions demonstrate a growing and very reasonable concern about the quality and substantive content of jobs, thus going beyond the traditional preoccupation with mere numbers.

Congressman Augustus Hawkins, who has introduced the "Equal Opportunity and Full Employment Act of 1976" in company with Congressman Henry Reuss of Wisconsin (generally regarded as one of the foremost congressional experts on economic policy), discusses the major provisions of that bill in his own comments included in this publication. These provisions are broadly similar to those contained in the draft legislation considered by the UCLA symposium, but the measure as introduced has some changes which reflect, in part, suggestions and remarks made by symposium participants. For instance, the Act provides that local planning councils established under the Comprehensive Employment and Training Act of 1973, which was not in effect at the time of the symposium, shall have defined functions to perform under the Hawkins-Reuss bill, thus incorporating local-area representation and participation in the planning, monitoring, and evaluation processes related to implementation of the proposed full employment policy; this renders unnecessary a general provision in the draft bill to the effect that "the Federal employment policies and programs of the Federal Government shall be developed and administered in such substantive

and procedural terms as shall facilitate, contribute to and actively promote the maximum feasible dispersion, decentralization and deconcentration of decision-making power and authority."

The Act, as introduced, also would establish a National Institute for Full Employment, with a technical staff and authorized power and capacity to conduct studies, make recommendations, and assist in the monitoring and evaluation of programs initiated under the Act. Thus, the Act's provisions for this Institute, a National Commission for Full Employment Policy Studies, a United States Full Employment Service (to replace the existing Employment Service), and a Standby Job Corps insure that there will be *both* a strong federal leadership and a defined local-community role under the proposed legislation.

## APPENDICES

## Appendix I

### *Full Employment and the Dual Labor Market* Peter B. Doeringer (October 1973)

#### *I. Introduction*

Recent studies of unemployment in the United States stress its frictional character. The duration of unemployment tends to be short and many workers experience multiple spells of unemployment. Entry into the labor market, largely involving women and young workers, is a major contributor to unemployment. Job changing has a large voluntary component and young workers account for a disproportionate number of job changes. And finally, the types of workers that are particularly prone to such frictional job changing have been growing in importance in the labor force in recent years.

An active labor market, dominated by frictional job changing, gives at least the appearance that employment of some kind is generally available. A significant fraction of vacant jobs, however, may be concentrated in lower paying or otherwise unattractive types of work, and these vacancies are often derivative of the frictional job changing itself.

These arguments have led some to conclude that the target rate for aggregate unemployment policy should be raised substantially above 4% for the next decade or more. This position is buttressed by econometric evidence showing that, given the structure of unemployment and the present organization of the labor market, a 4% unemployment rate is technically difficult to achieve.

This pessimistic diagnosis of the prospects for fuller employment in the American economy suggests only two alternatives. The present structure of the economy can be left untouched and the target rate of full employment raised; or the structure of the economy can be changed to facilitate the absorption of frictional unemployment, thereby reducing the overall unemployment rate.

The latter alternative has received little attention in the context of a full employment policy. Structural change in the United States has largely been feared as a source of labor market dislocation, the effects of which are to be alleviated, rather than as a source of improved economic performance. If constructive structural change is to be stimulated, however, a more complete understanding of the dynamics of labor market structure and the ways in which government policy can appropriately intervene to change this structure is required.

## *II. Dualism and Labor Market Structure*

The compositions of employment and unemployment are the outcome of a series of highly decentralized labor market processes. Decisions involving education and job search are made by almost 90 million workers; and decisions concerning hiring, training and compensation are made by over 5 million firms representing countless more employing units. These decisions are not simply technical reflections of market forces. They also incorporate social attitudes, complex political considerations, and non-pecuniary objectives of labor market institutions such as unions.

The end result of this process is a set of market relationships, institutional mechanisms, and regulatory procedures that combine to staff the job structure of the economy efficiently, and to provide income and employment security for the work force. Enterprises and worker organizations occupy a central position in creating these arrangements and their labor market policies contribute to labor market structure.

### *Enterprise Labor Market Policies*

Some enterprises are "open," hiring workers directly into most job classifications, and providing little opportunity for training or promotion. Others are "structured," hiring workers into a limited number of entry jobs while relying upon on-the-job training and promotion to staff the majority of the remaining jobs.

The employment pattern of the enterprise depends to a large degree on the types of skills required. Where skills are general, jobs will ordinarily be filled directly from the external labor market without additional training. But many skills are unique to an enterprise and entail on-the-job training and other hiring costs.

When enterprise investments in training and other costs of acquiring a work force are minimal, the employer is largely indifferent to turnover and worker attitudes. But where enterprises invest heavily in training, the employer will value work force habits and attitudes that encourage cooperation among workers in the training process, and turnover is of paramount concern since it raises training costs. Thus, where training is required, enterprises seek to select workers who are sufficiently compatible with the values and attitudes of the incumbent work force to "fit" with the on-the-job training system, who are quick to learn, and who have a low probability of quitting. In order to ensure selectivity in recruitment, and to create added incentives for stability and cooperation with on-the-job training, such enterprises will offer premium wages and working conditions, and protection against divisive competition within the incumbent work force. On the other hand, enterprises that do not train need not offer such attractive terms of employment.

### *Trade Union Labor Market Policies*

While on-the-job training investments and other fixed employment costs are major factors contributing to employment stabilization and internal advancement, trade unions and collective bargaining may also play a role. Unions operate not only upon wage rates, but upon the stability and security of employment for incumbent workers. They bargain over training, advancement and employment. Over time--through changes in wages, in the penalties for layoff and discharge, and in the incentives for promotion from within--collective bargaining (along with industrial relations arrangements in larger non-union enterprises) extends and reinforces the underlying economic logic of enterprise work practices. Employment is further stabilized, incumbent workers gain added advantages, and selectivity and the control of entry become more important.

### *The Dual Labor Market*

The *dual labor market*, the labor market divided into a "*primary*" or high wage sector and a "*secondary*" or low wage sector, is a type of labor market structuring arising out of the distinctions in enterprise and union behavior discussed above.

Low wage employment is dead-end, leading to little economic advancement. Certain groups of workers--the less well educated, women and ethnic minorities--tend to congregate in these jobs for long periods of time. Other workers such as better educated, white males, although they may begin their work careers in the low wage labor market, obtain types of employment that lead to economic mobility. The low wage sector is typically characterized by small firms, little trade union organization, relatively high turnover, and casual employment relationships. Product and labor markets in this sector tend to be highly competitive. In contrast, the high wage sector is often subject more to regulation than competition. Collective bargaining may determine wages and working conditions, product markets are more concentrated and administered pricing is practiced, and product demand is often influenced by government policies.

"Structured" enterprises providing training and promotion are found mainly in the high wage, primary sector while "unstructured" enterprises are found more often in the secondary sector. Over time, enterprise and worker behavior tend to polarize employment patterns in each sector. In the secondary sector, turnover occurs because there is no training; and training is inhibited by a turnover-prone work force. In the primary sector, opposite trends in work force stability training are likely.

For those workers in the primary sector whose attachment is to a skill or occupation rather than an enterprise, a similar process is at work. These occupational markets tend to be regulated in ways analogous to those of enterprises through control of training and entry. Examples of this can be found in some building trades unions (especially those

relying heavily upon apprenticeship), health professions, printing trades, hairdressers and barbers, and accountants, to name a few.

#### *Career Labor Markets and Dead-End Labor Markets*

The dual labor market concept identifies discriminatory hiring, training, and assignment practices, as well as skill deficiencies, as the major determinants of structural differences in the training and lifetime earnings patterns between advantaged and disadvantaged workers. However useful this approach may be, it is only a special case (most relevant for problems of low pay) of a much more general structural distinction between career and dead-end employment in the labor market at large. Dead-end employment affects workers at all levels of pay who hold jobs providing little training or promotion. It includes those for whom discrimination, lack of motivation, or some employment handicap are barriers to advancement. It is not exclusively associated with low pay, but rather with an inability to participate in the skill development and regulatory schemes that work to the advantage of those in career labor markets.

#### *III. Full Employment and the Dual Labor Market*

The distinction between the primary and secondary sectors is a key to understanding unemployment in today's labor market. Much of the nation's unemployment is concentrated in the secondary market. This market is the port of entry for most young workers; it is the labor market of the disadvantaged; and it provides the main source of employment for workers displaced from the primary sector. Moreover, the lack of career-like economic mobility, and its incentives for training stability, is an important cause of this unemployment. By contrast, unemployment in the primary sector is much more likely to be associated with job search by more privileged workers and with temporary job changing related to career advancement.

While labor market dualism, and the related patterns of unemployment, are common to all industrial countries, this structuring is particularly sharp in the United States. It is in large part the legacy of our historical pattern of high unemployment and wide cyclical swings in employment, a pattern that was not challenged as aggressively in this country after World War II as it was in other industrial countries.

Institutional and market arrangements, particularly in the primary sector, have molded themselves around the problems and the opportunities created by continuing high unemployment. Major employers are used to drawing upon a loose labor market that permits high selectivity, discourages turnover, and reduces the riskiness of investments in on-the-job training. High unemployment has led workers and unions to emphasize employment security and to concentrate upon economic advancement within enterprises or regulated craft union situations. Over time this accommodation to high unemployment must be judged successful in the higher

paying sectors of the United States economy; economic performance has been generally good, income and employment security have been enhanced, and unemployment is of declining political concern.

Successful adaptation to the post-war economic situation by the dominant sectors of the economy, however, does not mean that major changes in the overall unemployment rate are easily tolerated. The relatively high employment of the late 1960's raised turnover and created complaints of labor scarcities and other staffing difficulties, even among primary sector employers. Similarly, the periods of unusually high unemployment in the late 1950's caused serious dislocations in the job security of workers in the primary sector. The lesson to be learned from these experiences is that the present labor market arrangements are only serviceable in meeting the needs of employers and workers within a limited range of unemployment rates. Outside this range, the institutional structure fails to serve its requisite functions. Very high or very low unemployment challenge the institutional structure of the labor market and are viewed by labor, or management, or sometimes both, as an attack upon important economic and distributional relationships. Such threat to the community of interest that created the institutional machinery is bound to be resisted by labor and management, both politically and at the work place. The task of full employment policy, therefore, must be to devise a new economic structure that is as consistent with full employment and to introduce it in a manner that minimizes resistance to it.

The search for such a transformation in labor market and institutional structures can go in two directions. The first would be to make the labor market more competitive. This implies reducing the importance of market "interferences" such as minimum wages, occupational licensure, trade union influences, and transfer payments that reduce work incentives. Training, expedited labor force redeployment, and information combined with policies to subsidize the absorption of hard-to-employ groups become the principal labor market policies for assisting a full employment program under this approach. This approach minimizes the importance of private sector labor market policies and greatly facilitates the management of the labor market through formal programs operated by government authorities.

The alternative is to accept the presence of large enterprises, trade unions and other market institutions as important managers of labor market activity, and to involve them in the systematic planning for structural change in the rules of labor market play for a full employment economy. This would presumably entail extending to workers in high unemployment groups the kinds of opportunities for job security, on-the-job training and economic advancement now available to workers in stable and relatively high paying sectors of the economy. It would also imply stabilizing economic fluctuations and providing new kinds of flexibility in manning and compensation practices. Under this system the enterprise and the union are the critical units for developing and implementing

policies concerning manpower utilization and training, and for the distribution of economic benefits within the labor force. The role of government is to manage the aggregate economy, to encourage the enlargement of primary sector employment relationships, and to ensure that these relationships are non-discriminatory.

Since considerable policy attention has been given to the first alternative, I would like to devote some time to the second.

#### *IV. Planning For Full Employment Through Structural Change*

Perhaps the single most important engine for stimulating structural change for full employment is full employment itself. Many labor market analysts fail to recognize the way in which structural changes in employment practices and patterns occur as labor markets tighten. Rising demand in the primary sector encourages employers to reduce hiring standards, to recruit from among previously rejected sources of labor, and to enlarge training and upgrading activities. Almost by definition, workers in the secondary labor market become a major source of labor for employment expansion in the primary sector. As workers transfer from secondary to primary employment, the rate of unfilled jobs in the secondary sector increases, forcing a realignment of employment within the secondary sector and a general increase in compensation for workers remaining in that sector.

Logically it might be concluded that a policy of full employment, if pursued long enough, would either eliminate the secondary sector or force it to conform more closely to the primary sector. Unfortunately, the available evidence suggests that expansion and structural change in the primary sector is not proportionate to the tightening of the labor market. Instead, employers and unions in the primary sector, after a certain point, seem to favor temporary employment solutions that expand the primary sector work force without according new hires the full career benefits of such employment. It is not uncommon, for example, to find the primary sector relying upon sub-contracting and the employment of temporary workers as a device to avoid many of the costs and risks associated with awarding primary market status to workers from the secondary sector.

Much of this tendency to exclude secondary workers from primary jobs, even during periods of high employment, stems from historical experience with "stop and go" growth. Recessions reduce labor demand in the primary sector, but they do not provide corresponding relief to the costs of career employment commitments in the primary sector. When these costs are combined with aversion to uncertainty, and with race and sex issues in employment that inevitably accompany the expansion of the primary sector, structural adjustments that appear irreversible are often avoided.

Full employment provides a necessary, but not sufficient, context for the more sweeping structural adjustments required to cure unemployment in the secondary market and to enhance economic mobility more generally in the economy. At this stage, a full and definitive list of such adjustments is not available, but areas can be identified where policy intervention might be explored. The suggestions are admittedly overly general, but they illustrate some of the kinds of structural changes required in a full employment economy.

### *Education, Training and Mobility*

1. Loose labor markets and private arrangements for stabilizing employment within the primary sector, while not the only forces at work, have contributed to a deterioration in the link between formal educational programs and employment. Similarly, loose labor markets have placed the burden of job search and labor market information upon the worker rather than the employer. Full employment has always encouraged closer ties of information and training between schools and primary sector employers. A continuing full employment economy will require even closer collaboration along these lines. Vocational training must be more closely correlated with the content of work through greater employer participation in curriculum development and training in schools. In many cases new flexibility in the scheduling of on-the-job training and class work, more schooling in the factory, and the possibility of greater use of industrial and craft apprenticeships may be appropriate.

2. Migration policy will also have to be tied much more systematically to education and to primary sector employment. Expansionist policies towards low wage, migratory labor are often favored by employers in the secondary market. Such policies, in a full employment society, are often welcomed as a way of freeing indigenous workers from the secondary labor market while at the same time permitting goods and services to be produced at a lower cost in the secondary sector. While such policies have undoubtedly enhanced economic mobility of both migrants and the indigenous work force, they have also postponed structural change in the secondary labor market. This twin effect of both promoting economic mobility in the short run and retarding it in the long run by limiting structural change should be made explicit in thinking about migration policy in a full employment economy.

3. Although the proportion of long term unemployed in the total unemployment picture is smaller than was commonly believed, substantial numbers of people continue to suffer from chronic obstacles to employment. This is particularly a problem among the handicapped and older workers displaced from career employment. For these workers a larger commitment of training and employment resources for manpower policy, as conventionally conceived, will be of primary importance.

*Structural Change in the Private and Public Sectors*

The most important structural changes must be to equalize and to enlarge the career employment opportunities of the economy. On the one hand, this entails the development of new rules governing recruitment, hiring, training, and job assignment that are free of discriminatory effects (including discrimination against both older and younger workers). Much of what we now perceive as abnormally high levels of frictional unemployment should gradually disappear if career employment opportunities are made more widely available. Young workers and the disadvantaged should show less inclination to change jobs when stability of employment is better rewarded. Similarly, the lifetime labor market attachment of women should also be increased where continuity of work is rewarded with the same economic benefits now available to white men. Widespread increases in career employment opportunities should also go a long way towards reducing turnover, enhancing motivation and efficiency, and raising work satisfaction more generally.

But how is such change to be brought about? How can such selective intervention in the structure of employment occur?

First, a stronger attempt should be made to develop equal employment opportunity programs that are tailored to the circumstances of manning practices among different industries and even individual employers, and that also contain enforceable standards of employment and advancement.

Second, the overall stability of labor demand must be increased both for the economy and for individual enterprises. This involves improved macroeconomic management and more predictable patterns in government spending. But it also requires a relaxation of anti-trust legislation and more positive trade union legislation to allow greater private sector control and planning over output and employment. Only in this way can the requisite order be introduced into the individual units of the economy to permit training investments and other activities necessary to further stabilize employment and expand upgrading. Such an environment should also allow unions to concentrate upon furthering the economic advancement of workers, rather than striving to promote job security through inefficient constraints on manning and work force utilization.

Public market regulation could also be pursued. The use of quotas to employ high unemployment groups and the reorganization of occupational licensing to include institutional or multi-craft licensing might open training and upgrading opportunities. Private schemes for severance pay, supplemental unemployment benefits and the like might also be encouraged by legislation to stabilize employment.

Finally, the secondary sector might be reorganized. Programs could be developed to encourage the rationalization of managerial and capital resources. Business mergers and acquisitions could be promoted. Associations and business consortia might be encouraged. New organizations and institutions might be developed to decasualize work and regularize training and information in the most erratic parts of the secondary market. And, finally, collective bargaining might be furthered in the secondary sector by more favorable bargaining legislation and by the legislative "extension" of union rules and union agreements to non-union employment.

Similar considerations apply to the public sector with respect to hiring, training, and promotion. There is a tendency for market dualism to occur in public employment as it does in private. This is perhaps most clearly seen in public employment programs where the existing private sector labor market structure is often reproduced because inadequate attention has been given combining jobs with training, better supervision, capital equipment, and accommodations in union or civil service rules.

These suggestions are illustrative of avenues of policy exploration that should be considered if full employment is to be achieved. They contemplate not only a reorganization of economic relationships necessary to equalize the incidence of unemployment in the American economy, but also a larger scheme for improving upward economic mobility consistent with high levels of economic performance. Such proposals call for building a new national economic program based upon a recognition of the planning skills, market power, and political importance of highly organized market institutions, rather than upon a return to atomistic and self-regulating market mechanisms.

## Appendix II

*Some Random Thoughts on Some Random Issues  
of Full Employment Policy  
Paul Bullock (October 10, 1973)*

The following thoughts, fragmentary as they are, reflect personal experiences and observations over a ten-year period of research and activity in low-income communities of Los Angeles. Some are corroborated by available data and studies, while others are in apparent conflict with the "conventional wisdom." I make no apologies for the obvious subjectivity of many of these comments and conclusions: I find it impossible to ignore or suppress the evidence before my eyes, even when it seems to clash with received economic and social doctrine.

### *I. The Danger of Semantic or Statistical Solutions to Social Problems.*

A fairly common practice among both politicians and economists is to "solve" a given problem by defining it out of existence. Nowhere is this practice more pervasive, and seemingly more effective, than in the field of employment policy. If, for example, one wishes to diminish the perceived magnitude and impact of unemployment, it is possible to accomplish this result, at least in a public-relations sense, in any or all of the following ways: (1) Exclude substantial numbers of able-bodied persons without work from the official definition of "unemployed;" (2) Fail to count significant numbers of usually unemployed or underemployed persons in official censuses or surveys; and (3) Minimize the importance of unemployment, even when it is registered, by assigning lower weights to the involuntary idleness of certain groups among the unemployed, e.g., teenagers and women.

Let me comment briefly upon method #1. If the rate of unemployment is widely accepted as a major social indicator (and who can deny that it is?), reducing it by redefinition or any other semantic or statistical device has an acknowledged political advantage. 'But does this in any way diminish the size of the problem to be solved? To the contrary, I would argue that those defined as "discouraged workers" or otherwise "out of the labor force" often represent a far more serious problem to society than do those defined as "unemployed." The "unemployed" person, by definition, is someone who is currently jobless *but actively seeking employment*, whereas the "discouraged worker" and his or her cohorts formally outside the labor market are members of a more or less permanent underclass or subeconomy. From whatever viewpoint, economic or psychological or sociological, they are in a worse position than are those who remain more optimistic about their prospects for employment. Furthermore, in the inner city where some of our most pressing and perplexing social problems exist, this subeconomy can become a major source of violence and other forms of crime, drug addiction, demoralization, and (in some senses but not in others) alienation. Surely these are precisely the kinds of problems with which national policy must be especially concerned.

Of course, it is irrelevant to argue that the figures on "discouraged workers" are available to us and therefore can be properly considered where necessary. First, it is not true that the published figures reflect the full magnitude of this problem; the census-takers and other experts now concede that there is a significant undercount in precisely this category of the population. Second, the official unemployment rate is the indicator upon which the general public, politicians and policy-makers, and an astonishing number of social scientists tend to focus primarily or exclusively.

Method #3 is gaining increasing popularity in Administration circles and among conservative economists generally, despite the fact that it suggests racism and sexism and prejudice against young people in a not very subtle form. William Fellner, current nominee to the Council of Economic Advisers, openly espouses a belief that a 5 percent unemployment rate is acceptable, partly because the labor force contains relatively higher proportions of young persons and women whose high rates of unemployment presumably do not "count" as much as unemployment among adult men (ironically, Dr. Fellner is also an advocate of increased public-service employment, thus illustrating how it is possible to reach a correct destination via a wholly incorrect route).

This reasoning apparently reflects a value judgment that youngsters and women, as groups, somehow do not "need" employment as much as do other groups. Perhaps the most remarkable thing about this argument is the degree to which its sexism has so far been unremarked, even among women's organizations. Certainly it is highly inappropriate (putting it mildly) to a society which, we hope, increasingly will observe and respect equal rights for women. But even in its own narrowly economic terms, the argument makes little sense: the numbers of women in (or potentially in) the labor force encompass many who are single, heads of households, or wives of employed men who need work in order to raise household income to an acceptable level.

As for the role of teenagers and young adults, the reasoning again makes no real sense. In the very areas where the most critical social problems persist, the high unemployment rate among young people represents an unmitigated disaster. Their income from employment is *essential* not only to themselves but to the household, if an escape from poverty is to be possible at all, and unemployment or subemployment at the point of entry into the labor market often causes a permanent distortion in work patterns or attitudes. This helps to explain why so many youngsters find their way into the illegal "subeconomy," and why society has so long tolerated and even encouraged this activity as an alternative to permanent and productive employment on the one side or to adequate social welfare on the other. As I have argued elsewhere, the general public has had little audible or visible objection to "crime" as long as it

has been confined to ghetto areas and its victims have been nonwhite and poor. Of course, when whites are victimized, the item moves onto the front page and the general outcry becomes fierce.

A blatant illustration of the fallacy of "statistical" solutions to problems may be found in the Los Angeles area in mid-1965. At that time, the official statistics were reasonably encouraging, especially so in Los Angeles, and virtually all public officials and civic leaders proclaimed the superior and felicitous state of race relations in the community. Then the "riot" erupted, followed closely by the deluge of studies and interpretations seeking to explain how and why the impossible was indeed possible. Now, with a higher official unemployment rate, the absence of "riots" is interpreted by the Administration as a sign of greater social health, blithely ignoring the even more pernicious growth of gang activity in inner-city areas like Watts. Perhaps the failure to put gang violence on the same level of general concern as a "riot" reflects the fact, noted earlier, that the victims almost always are other Blacks or Chicanos, while a "riot" (besides its greater immediate drama) has the unwelcome effect of damaging or destroying much property belonging to Anglos.

Finally on this point, a closely related recommendation for "solution" of the unemployment problem would simply transform "unemployment" into "subemployment;" the nonworking poor would thereby become the working poor. The wage-reduction approach, of course, proposes exactly this. It would leave the problem of relative poverty intact, and it might not improve even the absolute position of large numbers of the unemployed, who often have some form of income derived from sources other than the "legitimate" labor market. Taxable income might just be substituted for nontaxable income. The overall problem of poverty easily could become worse under this "solution," since many of the already employed would probably suffer reductions in earnings (assuming that the competitive market reigns supreme and no form of income supplementation is in effect).

## *II. A Clash of Premises*

Diametrically opposed sets of premises underlie the positive and negative responses to the question of full-employment legislation. One group affirms the potential productivity and social worth of most of those persons now classified as unemployed or underemployed or out of the labor market, while another implicitly or explicitly accepts the current private-market valuation of their services and capacity and assumes that they have little or no affirmative contribution to make to the social product. The first group generally gives a higher priority to employment and growth in human services than to inflation control, while the second reverses those priorities and, often, is prepared to accept at least some degree of deflation in preference to growth and full employment.

Needless to say, these respective policy prescriptions reflect value judgments (however disguised they may be in the usual economic jargon). I shall offer mine for whatever it is worth, based upon a not inconsiderable amount of personal observation: there is a massive reservoir of unused and undeveloped talent and ability in the low-income communities of the United States, the realization and utilization of which should have the highest priority. The incidence of much of this visible potential in the *creative* fields offers a unique opportunity for job development in an agreeable context. Consider the social advantages of further development in fields such as music, art, drama and entertainment, literature, and so forth, as well as in the human-service sector:

(1) Employment in the creative and human-service occupations produces few, if any, of the external diseconomies endemic to much of manufacturing and construction employment;

(2) Such employment is consonant with observed skills, aptitudes, and interests of significant numbers of low-income persons, especially among young people; and

(3) It is also consistent with projected social trends such as increased concern with leisure and recreation, shorter work weeks or work careers, and growing demand for services and satisfaction of cultural needs as opposed to the more traditional "goods." In general, then, a shift toward relatively greater employment in the creative and human-service fields would serve the goal of an improved quality of life.

With much justification, the creative fields have traditionally been regarded as uncertain or unlikely sources of job development, associated as they have been with the vicissitudes of public taste, the peculiar needs of a cultural "elite," and the frequently erratic and unpredictable behavior of employment in that sector. A few words must now suffice on this point. Government--through its policies on subsidies, contracts and grants, taxation, and direct public employment--can itself influence and expand demand for services in this area. In major cities such as Los Angeles, we have already observed what an alliance of government and private interests and/or wealthy individuals can accomplish in the direction of enlargement and enhancement of the arts. It is only necessary to expand the scope and context of such enterprise and bring within its beneficent fold some of those persons and groups who reside in the lower-income communities. And as Professor Galbraith points out, the arts lend themselves ideally to organization on a small scale, thus preserving an outlet for the self-employed or the small entrepreneur.

Moving to the conflict between the "inflationists" and the "deflationists," we encounter another fundamental philosophical

clash. On the whole, conservatives worry relatively more about price rises and "excessive" growth, while liberals focus more of their anxieties upon unemployment and economic decline. Needless to say, my own sympathies lie entirely with the second school. Again, a selected few illustrations must suffice to explain why. Even at the depth of the Great Depression, economic conservatives exhibited their typical phobias about the possibility of inflation and the dangers of government spending and general fiscal-monetary expansionism. Certainly, if low or declining prices are valid indicators of economic health, the period 1929-33 must be regarded as one of the healthiest in our history. The New Deal, however, took the correct counter-position and deliberately inflated prices, largely for the purpose of restoring conditions in which domestic growth and higher levels of employment would be possible.

I suggest that this experience and others before and since, up to the present time, demonstrate that progress toward the alleviation of major social ills may sometimes entail rising prices. To treat a rising price level as necessarily "inflationary," and then to treat "inflation" as the greatest of all evils, is merely to rationalize a further extension of the policy whereby the poor are expected to subsidize those who are better off, by being forced to accept unemployment and low incomes in order that the rich may enjoy even higher real incomes and a loose labor market. Obviously, the social policies suggested by a "war against inflation" are philosophically and pragmatically more congenial to the wealthy than are those indicated in a "war against poverty and unemployment."

Two more briefly-stated points in rejoinder to those who argue that the current period is "different" in some sense and that for that reason inflation represents a greater danger than in the past: (1) Even in recent periods of "recovery" and "growth," substantial percentages of American productive capacity have remained unused, and the volume of unemployment has remained high, and (2) much of the utilized capacity has been devoted to the production or servicing of military and related goods in place of items which otherwise could have been supplied to the civilian consumer market.

I suggest the following as an admittedly oversimplified but still revealing litmus test of one's commitment to the principle that inflation is to be avoided at all costs: Suppose that, in place of the expenditure of tens of billions of dollars and resources in pursuance of the war in Southeast Asia, the period 1965-73 had been characterized by a marked reduction in the incidence of hard-core unemployment and poverty and a corresponding improvement in social indicators like the quantity and quality of housing and education and health care and personal safety on the streets. Further suppose that the Consumer Price Index had risen in that period precisely as it

already has. Would the degree of inflation still be regarded as deplorable and intolerable? My own answer is hardly a secret: The benefits would have been well worth the cost in higher prices.

Naturally, I do not argue that *any* degree of inflation is tolerable or that the price rise we have experienced is inevitable or inherently beneficial. It may be that, with appropriate policies, social gains could have been achieved with a more moderate price rise. The ultimate answer to the problem of inflation probably lies in enhanced productivity, but, in this regard, I would argue that a *full*-employment policy can again be particularly useful. Much of the resistance to technological innovation and increased productivity stems from a fear by individuals, groups, and institutions that such "progress" will threaten the employment or the incomes of those already situated in the labor market. A full-employment program might well assuage some of these fears and eliminate some of the established barriers to an all-out effort toward achieving the highest possible level of productivity.

### *III. The Secondary Labor Market: Old and New*

An important question for some consideration is the possible impact of full-employment policy upon the secondary labor market--that part of the economy characterized by low-wage, dead-end jobs, high turnover, and lack of meaningful training or advancement opportunity. As we know, that market is now heavily populated by young persons, minorities, women, older persons, and unskilled or uneducated workers generally.

Hopefully, a full-employment policy would open up the *primary* labor market to those now entrapped in the secondary. In some ways, however, this runs counter to the preferences and predilections of those workers already satisfactorily situated in the primary market; indeed, many aspects of the secondary market, including the illegal subeconomy, have been deliberately preserved by the majority because this sector of the economy has remained a convenient and nonthreatening "dumping ground" for groups considered (either for economic or psychological reasons) undesirable or otherwise threatening. It will be noted, of course, that this also has the effect of limiting competition in the labor market.

I would suggest that two groups in particular have traditionally been regarded by primary workers as threats either to employment or to wage standards (or to both) in the primary sector: these are the persons at each end of the age spectrum, the young and the old. There are obvious and superficially valid reasons for conflict here. The young and the old are oftentimes prepared to accept employment, full-time or part-time (indeed, as often as not they probably prefer the latter), perhaps at wages below the prevailing union standards. Young people may need and want part-time work to help them through school, and older people may seek it in order to supplement their retirement income or, sometimes, simply to give them something to do.

Their potential availability in such a threatening role explains why unions have been so concerned with enforcement of child-labor and minimum-wage laws, and why pension plans and social security provisions limit the extent to which retirees may accept gainful employment (especially in the trade from which they have retired) and still retain their full pensions. Even if they will accept only full-time employment at established wages, their continued presence in the labor market would increase competition for the available primary job slots.

Any full-employment program must take this conflict into account by assuring reasonable employment opportunity and job security for the employed primary workers while, at the same time, it opens up avenues of transfer from the secondary to the primary sectors. The primary sector will continue to be characterized by full-time employment at relatively high wages and with advancement potential, although it is likely and probably desirable that the typical work week will tend to decline over time and that early retirement from the primary labor force will become more common.

I would suspect that there will be a remaining, but wholly valid, role for a "secondary" labor market even under conditions of full employment as defined. Young and old will continue to prefer part-time employment under certain conditions, but with somewhat differing contents and qualities. Young people should have opportunities for work which has at least some meaningful training component attached to it; older persons merely need jobs that have some substance (in addition to the income) and hold some interest for them. Manifestly, training and advancement opportunities are not of equal concern to retirees, although there will be some cases where older people will want to explore new careers.

It may be desirable to socialize work in the new "secondary" labor market for young and old workers, giving government the responsibility of creating and maintaining employment slots with varying hours attached thereto. Internship training can be provided to youngsters just entering the labor market, sometimes directly by government and sometimes by private employers who can qualify for tax credits wherever the programs meet certain standards. Government, in such case, can protect the jobs and wage standards of primary workers while serving the legitimate needs of those who do not need or seek full-time primary employment.

#### *IV. A Few Miscellaneous Concluding Observations*

(1) Other things being equal, useful employment is almost always preferable to "welfare," both from the viewpoint of the individual and of society. The offering of employment opportunity reflects a social respect for the worth and potential of the individual; the offering of welfare, however labeled and defined, is almost inherently demeaning.

There are, of course, persons whose physical or mental capacity does not permit them to work usefully, but they are not as numerous as the neo-conservatives imply.

(2) In the light of the pervasive social needs in this country today, especially in the urban centers, and in other countries too, it seems manifestly ridiculous to argue, as some appear to do, that insufficient jobs with merit and substance can be developed for persons now in the secondary labor market. The question "Can we afford it?" seems equally ridiculous, in view of the approximately \$675 billions (the estimate of Professor Tom Riddell of Bucknell University) in direct and indirect costs of our involvement in Southeast Asia.

(3) Unorthodox economists should demand a relabeling of the so-called "doctrine of consumer sovereignty." Competitive theory does *not* make the individual consumer sovereign or supreme; *dollars*, not individuals, have the vote in the private consumer market. Those who criticize the sanctity of the "market" are sometimes derided as elitists, but there is no "one man, one vote" principle in the private market. When individuals exercise their *political* rights and thereby influence the allocation of employment, they are thereby acting on a more equal basis than they do when they cast strictly dollar votes in the economic market (I am not so naive, however, as to believe that dollars are without influence in the political arena, especially in the light of the Watergate revelations).

Whether it is *desirable* that individuals act primarily or exclusively in a consumer rather than in a producer or political role, in economic matters, is again a matter of value judgments, something which orthodox economists often consider pejoratively as "sociological" in form and context. We have long been aware that neoclassical economists equate wealth and income with social worth, and the "competitive" distribution of income with the distribution of relative merit among income-recipients (with an occasional allowance for the effect of inheritances or market imperfections), but there are alternative judgments and preferences which are entitled at least to equal consideration.

### Appendix III

*Keynote Address to the 63rd Annual Conference of the  
National Urban League - Washington, D.C.*

Vernon E. Jordan, Jr. (July 22, 1973)

A decade has passed since a quarter of a million Americans-- blacks and whites together--came to this city in the historic March on Washington for Jobs and Freedom. It has been a long, friction-filled decade in which black people made the great leap forward to at least the beginnings of a more equal participation in our society. Each and every victory of that crucial decade was stained with the blood of martyrs and with the sweat and tears of millions of black people.

There are those who would belittle the achievements of the past ten years. They have forgotten all too soon what it meant to be segregated and Jim Crowed; to be cast out of the political life of the country; to be denied the vote; to be victimized by private and public institutions, and to be brutalized through the violation of constitutional and human rights.

Still others, complacent in the minimal gains that have been torn from a reluctant nation, mistakenly believe that the hopes and dreams of the marching masses of 1963 have been fulfilled. They think that the rights won, the laws passed, and the observable progress made are sufficient, and that black people no longer need trouble this society with the remnants of our unfinished agenda. Time is a great healer, they say, and time will cover the scars of the past and bring full equality in the very near future.

Both of these widespread views are mistaken. The gains of the past decade, the glowing achievements of this Second Reconstruction, were sweeping and historic. But they stopped far short of what was necessary. Too many of the rights conferred gather the dust of indifference; too many of the programs begun have lingered underfunded and unwanted, while others have been ended. The gap between whites and blacks has grown, the bright promises and dreams of a decade ago have been betrayed; and the pain that seared the lives of millions still hurts.

The Second Reconstruction is unfinished, and is now threatened by a counter-revolution that appears to be trying to turn the clock back and to arrest the progress that has been made. Every swing forward of the pendulum of social change creates its counter-movement

backward, and it is that dangerous, regressive phase in which we find ourselves today.

The seeds of this counter-revolution were planted some years back --with the coining of code words like law and order; in the politicizing of phony issues like busing and quotas, and in the desertion of some former supporters from the civil rights movement. In the past year the new American counter-revolution has swung into high gear with the refusal to reform the welfare system, with publication of a budget that neglects human resources and human needs, and with the proposals for a revenue sharing scheme that would effectively divert the nation from the establishment of national goals and national priorities.

Watergate, in this context, is no passing scandal. It is a reflection of the moral bankruptcy of the architects of the end of the Second Reconstruction. It is a Pandora's Box of illegality, suspicion and fear. The contempt it shows for the democratic political processes goes hand-in-hand with the contempt its makers show for the constitutional rights and social and economic equality of minorities.

Black people, like all Americans, watch the sordid spectacle unfold on their television screens. But many bring to it a perspective perhaps not shared by others. For as we watch one after another of major figures in the government confess their misdeeds and portray an atmosphere of paranoia and deceit, we are painfully aware that these men also found time to launch the attack on the achievements of the Second Reconstruction.

We learn of the former Attorney General's part in the cover-up, and recall his attempts to weaken the Voting Rights Act and to pack the Supreme Court with judges indifferent to our constitutional rights. We see the former White House Counsel confess to his part in the cover-up, when his proper role was to resist the illegal impoundment of funds for social programs and the illegal dismemberment of anti-poverty programs. We see people on the White House payroll confess to bugging, burglary and breaking and entering at a time when other federal officials were cutting programs, fighting court desegregation orders and sabotaging efforts to integrate some construction trades unions. And so when the pernicious "enemies list" was revealed, black people were not surprised, for many had already come to the conclusion that black Americans and our aspirations were the targets of federal disfavor.

Watergate has created a terrible vacuum at the heart of our system. The executive branch is all but paralyzed by the widespread personnel changes, by the cynicism and suspicion of the people and by the ever-present threat that the scandal will result in further proceedings of the most far-reaching nature. Just as the press, the courts and the Congress have filled the moral vacuum left by Watergate, so too, must they fill the policy vacuum it has created.

The role these free institutions have played in exposing and correcting the Watergate scandal has vindicated the democratic system. In this time of uncertainty they have a responsibility to turn their attention to the unfinished business of the Second Reconstruction--the press, by publicizing the need for continued social change; the courts, by defending the constitutional rights of minorities, and above all, the Congress, by reversing the new counter-revolution that seeks to undo the accomplishments of the past and by reviving and extending the economic and social goals of the March on Washington.

Congress especially must fulfill its responsibilities to take the initiative in domestic affairs. It must act because Watergate has left the country adrift in indecision and inaction. The First Reconstruction was launched by the Congress over the objections of the executive, and Congress, by advancing its own program of reform, can now reverse the trends that threaten the Second Reconstruction. It must act too, in order to preserve its rightful place as a co-equal branch of government, a constitutional role that has been undermined by the unilateral dismantling of Congressionally approved programs, by impoundments of monies it has appropriated, and by the institution of sweeping changes in federal-state relations to which it has not consented.

There are three broad areas that call for immediate Congressional action.

The first and most urgent of these is for Congress to restore the budget cuts made in health, housing, education, manpower and other human services. These programs have been cruelly slashed, imposing crushing burdens on poor people, both white and black. The main beneficiaries of such federal programs have overwhelmingly been white citizens, and their impact on black people has been considerable, because we are disproportionately poor. If a sharp knife has to be wielded on federal spending, there are far riper targets in a budget of over \$268 billion than those that train young people for jobs, provide health care for infants and put unemployed people to work again.

A second Congressional priority should be the overhaul of a welfare system that corrodes human dignity. The principle of an income floor beneath which no family should fall was embodied in the Administration's Family Assistance Plan. It is a good principle, but the political dictates of the time resulted in the principle being strangled by punitive and vicious amendments. The failure to pass a humane welfare reform bill is a key indicator of the strength of the counter-revolution. In the wake of the moral disaster of Watergate, the Congress should now understand that it treated the poor as enemies, just as the conspirators treated political

opponents as enemies. Now Congress can make amends. It should now resurrect the principle of a federally-administered income floor that preserves the dignity and the rights of those among us who are victims of the failures of the economy.

Thirdly, the Congress must address itself to the crucial problem of revenue sharing, and it should reassert the primacy of national priorities to be met by national programs paid for and supervised by the federal government.

The effect of revenue sharing on white people is likely to be harmful; for black people, it promises to be devastating. The federal government has historically been the protector of minority citizens. While it has often been the frailest of reeds, historically it has been more responsive than state or local governments.

The March on Washington was a March demanding *federal* action on civil and economic rights; it was a March seeking *federal* protection from the abuses of state and local governments. It was a March supporting *federal* solutions to problems of national importance. We looked to Washington then and we look to Washington now, just as white people looked to Washington for federal programs that helped them to survive the Depression, to move to suburbia, and to prosper economically. Now, just as it has come to be black people's time to benefit from federal actions, it is proposed that the rules of the game be changed and that we rely on some magical mixture of local goodwill along with a heavy dose of individual initiative. And why, black people rightly ask, must we give up this game that worked so well for white Americans just as *we* get to the batter's box.

Under the slogan, "returning power to the people," revenue sharing would strip away from local community groups the funds and programs under their control and force them to compete with more politically powerful local interests for funds and programs. It would take present federal programs out of the purview of competent and relatively sympathetic federal agencies and turn their funds over to state and local governments for uses that may not be as relevant to the needs of the minority community.

This fracturing process makes difficult, if not impossible, the establishment of national domestic policy goals and their implementation. It also imposes great burdens on national organizations in the private sector. Further, I have little faith in the competence and record of 50 state governments and thousands of local governments to make humane judgments and institute responsible programs. And I fear that many agencies, most of them small community groups, will be left out in the cold, with the result that the black and minority communities will suffer tragically.

This is not intended to be a blanket indictment of all local governments. They are also caught in a bind by revenue sharing, which shares problems but not resources. The money being made available to state and local governments for social service programs is less than the money that would come into cities through the present system of categorical grants. Mayors and governors are thus placed in the cruel dilemma of limited resources and heightened public expectations encouraged by Administration rhetoric about local control and decentralization.

In countless cities all over the country local officials are tooling up to make the best possible use of the monies they will get from revenue sharing. A considerable number of Urban League affiliates report that mayors in their cities plan to commit these funds to solid programs in the social services, and that the black community will participate as administrators and as beneficiaries of local programs. But it is safe to say that these cities will be the exceptions and not the rule. A prime task for black people and for the Urban League will be to carefully monitor the use of revenue sharing funds and to insure that minority citizens are not unduly penalized by the federal abandonment.

This is doubly important in view of the unwise use of much of the general revenue sharing funds already committed. A report, issued last month by the Federal Revenue Sharing Office itself, demonstrates the unwillingness of state and local governments to use federal grants for human services. Some five billion dollars have already been sent to local governments and have been used primarily for capital expenses and for reduction of property taxes. Others used it to build golf courses and tennis courts. Social services for the poor and for the aged ranked *last* among their priorities, and only eight percent mentioned it as a top priority.

It seems clear from all this that revenue sharing is anything but "returning power to the people." Still less is it the cornerstone of the "new American revolution." Rather, it is old wine turned sour in its brightly labelled new bottle. It is a return to the past; part and parcel of the counter-revolution that is clearly designed, in a word spawned by Watergate, to render the Second Reconstruction "inoperative."

The situation facing those of us in the human rights movement is difficult. The Second Reconstruction is in grave trouble, and the goals of the March on Washington for Jobs and Freedom remain, after a decade, as haunting reminders of ideals not yet fulfilled. The road ahead is uncharted and unmarked.

The freedoms envisioned by the March have largely been won. But freedom without economic power is freedom without substance. Remember, the March was for Jobs AND Freedom; Jobs came first. It is time now to get those jobs.

We must get those jobs because economic security is a fundamental freedom from which other freedoms flow. As Justice Douglas has written: "Man has indeed as much right to work as he has to live, to be free, to own property." And we must get those jobs because the black community is suffering an economic depression the depths of which have been unknown to white Americans since the Great Depression.

The job question is the cornerstone of a rational approach to solving the many problems facing black people. With jobs, dollars and economic security, we will be equipped to deal with the dismal realities of poor health care, inadequate housing, and unequal educational opportunities. Our battle for equality must be fought on many fronts, but it is the economic front that is most crucial for our survival.

The tragic plight of black Americans has been masked by the blind acceptance of economic benign neglect--the false comfort derived from statistics that show progress made by some sectors of the black community. Skilled young people who have made it into the labor market *are* entering jobs and making salaries that represent a clear improvement over previous years. Recent black college graduates are approaching parity with their white classmates.

But beyond these favored few, there are millions upon millions of black Americans who are being crushed between the rock and the hard place. There are millions upon millions of black people for whom a morsel of meat is a luxury, a decent home a dream, and a job a hopeless fantasy.

Last year, while over one million white citizens moved *out* of poverty, more than 300,000 black people entered the growing army of the poor. In the past four years, over 600,000 black people became poor. By the government's own admission, and using its own grossly inadequate standards of what constitutes poverty, there are nearly eight million black Americans who are poor. Nearly half of all black children are in poor families. Black income is declining in relation to white income, and in the decade since we marched for jobs and freedom, the median income gap between whites and blacks has grown from \$3,000 in 1963 to \$4,700. Black earnings are not only falling behind white earnings, they are falling far behind the most elementary decent living standards. The typical black family earns about \$700 less than the government's own minimum acceptable living standard. So for the majority of black Americans, boasts of this nation's high living standards are a grotesque and bitter joke.

What I have just described is a situation of desperation. Hidden by the cold impartiality of numbers and statistics are broken lives, wasted efforts, and hopeless frustrations. Behind these numbers and the malignant neglect that hides them from the country is mounting anger and explosive despair. The economic deprivation inflicted on black Americans is an obscene horror, a mark of shame upon the nation that dwarfs the Watergate scandal and calls for swift, massive action.

I believe that the single, central task for this nation in the 1970s is to assure every citizen capable of work a decent job at a decent salary. I believe that the central goal of the human rights movement in this perilous time must be the achievement of guaranteed jobs for each and every American--white and black. I believe that the unfulfilled half of the aims of the March on Washington--Jobs--must be our basic goal. This nation can escape the stain of Watergate and the shame of poverty by instituting a national Full Employment Policy of guaranteed jobs and minimum training and salary standards that will open careers and meaningful work for all of its people.

Few people--white or black--are fully aware of the extent of unemployment in this so-called "booming" economy. Officially, almost five percent of the labor force is unemployed, a notch above the four percent generally accepted as "full employment." But five percent of the labor force means that almost four-and-a-half million people are jobless.

The facts are that there are millions of people who are not officially counted as being unemployed because they have given up looking for jobs, or because they are working part-time. Adding these discouraged job-seekers and underemployed workers to the official unemployment figures, we find that there are about ten million unemployed Americans, over two million of them, black. The real unemployment rates in this country then are about ten percent for the total labor force, and twenty percent for black workers.

I refuse to believe that this supposedly booming economy has no place for ten million people who want to work. I refuse to believe that the only jobs it can offer another ten million people are jobs whose wages for a year of full-time work amount to less than \$5,000.

We are talking here of more than a crisis of political morality; more than the isolated misery of individual people without work, more than the betrayal of the dreams of the 1963 marchers: we are talking about the collapse of our economic system and of its apparent inability to provide work for a significant part of its people.

The failures of this economy are not temporary lapses due to passing changes in the economic climate; they are structural weaknesses that threaten the foundations of this system. The labor force has become split-level, with an upper tier who have good jobs, union membership, decent salaries, and fringe benefits, and a lower tier that has none of these. This bottom layer of economically desperate people is made up of disproportionate numbers of Vietnam veterans, of black people and other minorities and of young people.

A million white teenagers and a quarter of a million black teenagers are in the labor force but are jobless. One out of every three black

youngsters officially listed as looking for full-time work can't get a job. This country is fostering a significant portion of a generation of workers who are unskilled, inadequately educated, and unemployed. The future for these young people is bleak and the prospects for their country are dim, unless the vast human resources they represent can be put to meaningful labor.

Some people have suggested that teenage unemployment can be partially solved by a wage differential that allows employers to pay less than the minimum wage for young people. Others say that will result in firing the father to hire the son. My own feeling is that this nation has already done too much to foster sub-standard wages and working conditions, and the teenage salary differential could be the opening wedge of a general attack on wage levels. Such a wage differential would be a step that subverts the already inadequate wage structure and punches holes in the already leaky net that fails to protect other categories of workers. If high teenage unemployment is supposedly solved by lower pay rates then logic would demand that other groups whose unemployment rates are high, such as women or black people, should also be paid sub-standard wages. We cannot accept this.

The structural dislocations of an economy that has no place for disproportionate numbers of teenage workers, of veterans, of women, and of minorities, can be solved by massive national job-creation. If this country can subsidize Russians who want to buy our wheat, it can subsidize its own citizens who want work.

The time for training people for non-existent jobs and for forcing them into inactivity or into substandard menial jobs that don't pay the rent is over. The time for a rational policy of developing previous human resources and putting people to work doing the things this nation needs done is at hand.

I believe that this nation should embark on a Full Employment Policy that includes realistic job-training, institution of performance-oriented job standards that do away with present unrealistic tests and credentials, a national economic development program that helps create jobs in the private sector, and a massive job-creation program for public services.

A Presidential Commission has estimated that federal, state and local governments could put five million people to work in public service jobs in schools, in hospitals, in parks, and in other areas of our community life. Instead, the measly 100,000 jobs provided by the emergency public employment programs are slated to be dropped by the federal budget.

We marched for jobs ten years ago and didn't get them. We call for jobs today, and we must build the power and the alliances to succeed this time. A massive human rights movement for jobs for all holds the promise of depolarizing our divided society, for this is a goal that transcends the artificial boundaries of race or of ideology.

All people--white or black--can understand the value of work and the need for jobs. There are 16 million white people who are poor and over seven million who are jobless. White people too, can see this as their cause. And black people, be they nationalists, separatists or integrationists know that what the black community desperately needs above all are jobs and paychecks. A massive drive for jobs for all can dynamite the stereotypes and myths about the economic boom, about welfare, and about people not wanting to work. If this Administration really believes in what it preaches about the work ethic, about the superiority of our economic system, and about the virtues of labor, then let it begin now with Phase One of a Full Employment Policy that assures every citizen a decent job at a decent salary.

By putting America to work we can transcend the bitterness and divisions that threaten to tear her apart. By backing a program of jobs for all we can help unite a human rights movement that has lost a central focus and was diverted by ideological abstractions. By mounting a drive for a Full Employment Policy we can fulfill the faith placed in us by those of our brothers and sisters who are poor and who are jobless.

By instituting a Full Employment Policy America can finally redeem its promise of justice and equality. "We have come to the capital to cash a check," Martin Luther King told the March on Washington. "Instead of honoring this sacred obligation, America has given the Negro people a bad check," he said. "A check that has come back marked insufficient funds. But we refuse to believe that the bank of justice is bankrupt. We refuse to believe that there are insufficient funds in the great vaults of opportunity in this nation. So we have come to cash this check. A check that will give us the riches of freedom and the security of justice."

And I say that America is still in default on its promissory note of jobs and freedom and the interest compounds daily. It's time now for a collections suit that says to America pay off or get out of the business of democracy. And pay off not in pennies and nickels, but in dollars and gold--our equal share in the prosperity of this nation.

The belief we brought here a decade ago has become tarnished with countless defaults, betrayals and injustices. The strains of "We Shall Overcome" have been muted by the silent suffering that stalks the ghetto streets. The faith that sustained us through the dungeons of slavery, through the dismal days of segregation and separation, through the trials and tribulations of the 1960s ebbs slowly as we see the promises of the Second Reconstruction giving way to isolation, apathy and hostility.

Black Americans want to keep that faith. We want to continue to believe in America. We want to believe that we shall overcome the brutalities of indifference, neglect and poverty. We want to believe that we shall overcome the mean attempts to end the Second Reconstruction and to institutionalize poverty and joblessness. We want to believe that we shall overcome the moral bankruptcy that gives us Watergate instead of bread, and scandals instead of jobs. We want to believe that we shall overcome; that right will triumph over hollow might. We want to believe because our cause is anchored in justice and our hearts and minds unburdened by doubts of the righteousness of our mission.

In the midst of our doubt, let us renew our faith, let us believe again. For as Whitney Young told the March on Washington, "Our March is a march for America. It is a march just begun." We are the heirs of that inspiring historic moment. It is our task to redeem the promises made and the pledges broken. It is our duty to move on from that great gathering of hope to make its dreams and its goals come true. It is our mission to recapture the moral fervor and to bring to reality the aims of those who marched here as a declaration of faith and witnessing.

Many of those who were here ten years ago are no longer with us. John F. Kennedy is gone. Malcolm is gone. Martin Luther King, Bobby Kennedy, Adam Powell, Walter Reuther and our own Whitney Young are dead. Ralph Bunche, Jackie Robinson and Lyndon Johnson are gone. Others too, who fought for us and died for us, are no longer here in body, but their spirits infuse our will and inform our purpose.

Like the March itself, they have transcended their brief moment in time and live on in our hearts and minds. They live on in the inspiration and determination they kindled in us. They live on in the movement that battles today in adversity as it did in their time. From the pantheon of the fallen great, they look down upon us and upon our efforts, and they are telling us to keep on, to keep the faith, to continue what they began, to push forward in the face of hypocrisy and callousness, to fight on and march forward until their dream is reality.

Others too, are looking at this Urban League Conference with the mixed emotions of doubt and despair, of hope and confidence. Millions of black people and other minorities who don't have bus fare, let alone plane fare, to the nation's capital, people who have neither the credit nor the cash for a room at the Hilton; people for whom a party gown or a banquet seat is an elusive dream; people who cry out tonight from the crevices of this nation for a decent job at a decent wage, for food for their children, warm clothes on their backs, and a non-leaky roof over their heads.

They are looking to the Urban League for help. It is on their behalf that we exist. It is for them that we meet here this week. They are what this Conference is all about. This Conference is no Boujie Ball.

For we are here this week to work and to work hard for the constituency we serve. We are here to analyze, synthesize, strategize; to come up with concrete programs and goals that will make life better for all Americans.

This is the most important week of the year for the Urban League movement; it is the week in which we pull together the single strands of our labors and come together as a movement with one voice, loud and clear; a voice that responds to the cries within the ghetto's walls, a voice of soul and concern, a voice of hope and dignity, above all, a voice of and for our people.

And the eye hath not seen nor the ear heard that which we can do together united, determined and unafraid.

## Appendix IV

### *Government as the Employer of First Resort-- Public Jobs, Public Needs*

Bennett Harrison, Harold L. Sheppard, and William J. Spring  
(reprinted from *The New Republic*, November 4, 1972, by permission of the editors).

George McGovern's economic and urban affairs advisers have belatedly discovered the potential and need for a full-fledged program of public services to reduce unemployment and get done many things left undone by private enterprise. President Nixon meanwhile promises a second term of reduced government spending, and his Office of Management and Budget has killed the small existing Public Employment Program that gives jobs to about 150,000 people. Here then is one major issue on which the candidates differ. No matter who sits in the White House next January 20, it's an issue that will not die.

When Martin Luther King led the March on Washington in 1963, he called for "freedom and jobs." Jobs at decent wages, he said, would eliminate poverty and reduce inequality. He was right, but his prescription was ignored by those who developed and subsequently administered the war on poverty. We are still paying the price of their ignorance. Persistent poverty and underemployment are directly attributable to the conviction--among Democrats and Republicans--that those who cannot "make it" in our labor markets are unable to work at all, or lack the skills, drive and motivation needed to earn an adequate living.

Welfare ("income transfer") programs are addressed primarily to the first group; they are based on the political decision to provide some (small) measure of distributive justice for the very young, the very old, the disabled, and those whose family responsibilities make it undesirable (in the opinion of the policy makers) to have them participate in the world of work. The social service and manpower development programs are concerned with the second group; they try to overcome "working poverty" by improving the skills, abilities, and attitudes of low-income workers, thus making them more "employable."

"Negative income tax" proposals recognize the substantial overlap between the two groups of disadvantaged citizens, but they then recommend a mix of welfare and job training programs with graduated incentives to induce people to move voluntarily "from the welfare rolls to the payrolls."

Both sets of policies assume that the economy generates a sufficient number of jobs (except perhaps during recessions) to accommodate all who want to work, and that a worker with a full-time job will earn enough to support his or her family at or above a *socially* defined adequate level.

Both assumptions are incorrect. Even in 1966, when we had what was conventionally accepted as "full employment"--less than four percent joblessness--people in the innercity ghettos studied by the U.S. Department of Labor in its first Urban Employment Survey had "subemployment" rates averaging 33 percent. Again in 1970, the Census Bureau's employment survey in 51 central cities and nine rural counties enabled the Senate subcommittee on employment, manpower and poverty to estimate that one out of three low-income area workers was *subemployed*; that means, out of work, employed at poverty wages, locked involuntarily into a part-time job, or so discouraged by repeated failure to find a decent job that he or she had finally stopped looking altogether. *National* subemployment during the late 1960s may have been as high as 10 percent.

Recent and forthcoming studies by a number of social scientists report the failure of the education, training and welfare policies of the 1960s to reduce significantly the poverty and underemployment of millions for whom the labor market still does not provide an exit from the American underclass. In 1970, there were still over 11 million who worked 35-40 hour weeks--many of them not year-round--but who were officially "poor." The number of full-time *yeararound* workers whose wages fell below the Bureau of Labor Statistics' Recommended Lower Level Budget for an Urban Family of Four Persons (\$7,000 in 1970) was 10.9 million--30 percent of the full-time, year-round labor force. Especially for nonwhite workers, schools do not seem to reduce inequality; job training programs recycle their graduates back into the same kinds of low-wage, unskilled work they had held prior to training. And supplemental welfare payments serve more to subsidize the employers than enable the workers and their families to reach a decent living standard. There's nothing the matter with *their* "work ethic." The problem is with the economics and ethics of their industries. It is often assumed that those who stay poor despite expensive efforts to educate and train them really don't *want* to work. Researchers are finding, however, that poor motivation is at least as much the *result* of frustrated job expectations and entrapment in the "secondary labor market" as it is the cause of such immobility. This spills over into the controversy surrounding female-headed--especially black--urban households. Unstable family structure may be not only a cause of welfare dependency, but also a result of a woman's sensible caution about the support-reliability of the men in her circle, resulting in a need to depend on welfare, a need created by the inability of large numbers of urban black men (not all of them) to support families on the indecently low wages paid by employers in that part of the labor market to which they are confined.

The burden of our argument is that we need a strategy in place of, or in addition to, the present welfare/training approach to poverty and underemployment, one that allows funds to be used *selectively* to expand the output of those goods and services which are underproduced by the private sector. The expanded production of these goods and services would in turn create jobs. This alternative economic policy has become known as "public service employment."

The term is unfortunate. The things which a private sector systematically underproduces include goods (such as "clean" automobile engines) as well as services (such as fire protection). Moreover, the "publicness" of production derives not from the fact that government does the producing (many "public goods" are produced by private companies--and should be), but from the fact that private companies will not automatically supply adequate quantities of the publicly needed items. Without subsidies, it is not profitable for them to do so.

The term "public service employment" also has the stigma of "make-work," "boondoggling," and this has misled many to interpret it as a program of "government as employer of last resort." Even if one thinks that publicly subsidized job creation should be undertaken only during recessions, it is nonsense to argue that the things which can only be produced by governments or with the help of government subsidies--police protection, air pollution control, public health, mass transit, to name but a few--are not needed or wanted except when the economy is depressed!

The existence of "public goods"--things which privately organized markets systematically undersupply to consumers (even those with adequate incomes)--has been known to economists for at least 20 years. The growing imbalance between the production of "public" and "private" goods and services is the central theme of the work of John Kenneth Galbraith. Yet those who make our national economic policy (and nearly all who advise them), while they see and measure private affluence, are blind to the indicators of public poverty. Or worse, they act as if they believed improvements in public services are only expenditures, never investments in greater national and individual well-being.

Modest as it is, a current public employment program took nearly a decade to enact. The history is worth recalling. In 1964 Senator Gaylord Nelson (D., Wisc.) introduced a bill to finance \$1 billion worth of jobs in conservation through a nickel a pack increase in the cigarette tax. Sargent Shriver's five-year budget projections for OEO included \$3 billion for public service jobs. In 1966, the National Commission on Automation recommended creation of 5.3 million public service "last resort" jobs in order to cushion the impact of what was then perceived to be a technological "twist" in the private sector, away from tasks using unskilled labor. (Ivar Berg and Bennett Harrison have since shown that this fear is exaggerated; it is the credential and experience requirements demanded by *employers* that have become inflated, not so much the technical sophistication of the jobs themselves.)

Then, after the "long, hot summer" of 1967, Senators Joseph Clark and Robert Kennedy, along with Jacob Javits, reported out a modest Emergency Employment Act to provide work (and income) for the poor. It was strongly opposed, especially by the Johnson administration, which argued that with a national unemployment rate of only 3.6 percent,

there were surely enough jobs already for "those who really want to work." The Clark-Kennedy bill never reached a vote; a Republican-sponsored, watered-down version was defeated by five votes.

In 1968, in cooperation with the Conference of Mayors, the National Urban Coalition commissioned a study to determine the net new jobs in a dozen categories of public services that could be created in cities of 100,000 or larger if new funds were available. In these cities alone, and at a conservative estimate, 300,000 new positions could have been created, ranging from semi-skilled to skilled and professional. The rub was that the cities did not have the revenues to provide them.

The recession of 1970-71 and the high unemployment of such politically articulate (or at least highly visible) groups as returning Vietnam veterans and aerospace workers, put new life into the idea of a public employment program. By the fall of 1970 it had been endorsed by the National Urban Coalition, the AFL-CIO, and the National Conference of Mayors, and the Employment and Manpower Act of 1970, containing a \$2 billion authorization for public job development, passed both houses by a wide margin. The President vetoed the bill in December, arguing that it would create only "make-work WPA-type" jobs. Public jobs, said the President, are less "real" than private jobs.

A month later, January 1971, the Labor Department released its estimate of the December unemployment rate: six percent. Perhaps this figure carries some of the symbolic power for Americans that unemployment rates of three percent seem to carry in European nations. In any case, some political response was now mandatory. So when Senator Nelson again introduced public employment legislation (tailored to meet Nixon's objections to a "permanent" program, with a "trigger" mechanism so that the program would operate only when national unemployment exceeded 4.5 percent and would shut off when it fell below that threshold); even the minority leader in the Senate backed it, and in August of last year, the Emergency Employment Act became law. It provides \$1 billion a year to state and local governments to create jobs for the unemployed and underemployed, with preference to be given to veterans.

What has happened? About 150,000 jobs have been created under the provisions of the EEA. But nearly five million people are still out of work, and at least 20 million more are underemployed. Recognizing the inadequacy of the present program, Senator Alan Cranston (D., Calif.) this spring introduced legislation for a \$10 billion annual public employment program, tied not to the increasingly ambiguous unemployment rate, but to the national need for jobs at decent wages and an adequate supply of public goods and services. And last month, Senator McGovern suggested creating one million public service jobs, as an alternative to the perpetration of welfare dependency for those able to work. In hearings held before the Senate manpower subcommittee in April, four economists -- Galbraith (Harvard), Robert A. Gordon (Berkeley), William Fellner (Yale) and Bennett Harrison (Maryland) arrived at remarkably similar forecasts of the probable impact of such legislation. The following estimates are based on their testimony.

Ten billion dollars at \$8,000 per job (including overhead and capital equipment where needed) would create 1.25 million jobs. According to recent evaluations of the Emergency Employment Act operations, and contrary to initial misgivings, only about 15 of every 100 subsidized jobs are filled locally by someone who was *previously* employed by the city. Thus, the \$10 billion would actually result in a *net* increase of one million new jobs.

The Bureau of Labor Statistics estimates that a million new state and local government jobs will generate about 400,000 additional *private* sector jobs, through local government purchases of supplies and services from local businesses, construction contractors, etc. From 1962 through 1971, employment in the private sector *actually* created by state and local government purchases of goods and services expanded by 58 percent, while jobs overall increased by only 19 percent. The purchasing power of these 1.4 million workers will create about 600,000 *additional* jobs over the succeeding 18-24 months, for a total of two million jobs in all. We don't know for sure how and where these jobs would be allocated, but if we apply the current average mix in the economy (roughly four-fifths private, one-fifth public), then 480,000 of these additional jobs will be in the private sector, with another 120,000 government jobs (as governments at all levels expand certain activities *without* subsidies in order to meet the increased effective demand of citizens whose incomes have already risen, due to the subsidized program).

What we're projecting, therefore, is that a \$10 billion federal investment would create one million jobs in state and local government, 880,000 jobs in private industry and 120,000 additional public sector jobs, spread over the federal, state and local levels. If half of the initial ("planned") one million jobs are reserved for people now getting unemployment compensation and/or welfare (at \$2,000 per person), then the U.S. Treasury will save one billion dollars a year. Assume also that 20 percent of the other million jobs are (through a combination of federal pressure, presidential exhortation and local political organizing) allocated to such citizens, there's an additional Treasury saving of \$400 million. The overall net saving in unemployment insurance and welfare payments might reach \$1.4 billion per year.

Most econometricians believe that an extra \$10 billion of deficit spending will bring \$20 billion of additional gross national product. Given the average effective federal tax rate of 20 percent from all sources of income, this investment would return an annual flow of some \$4 billion to the Treasury. The net social cost of a \$10 billion annual program after 18-24 months (assuming deficit financing) would be only \$4.6 billion (\$10 billion minus \$5.4 billion). The net benefits would be two million additional jobs at nonpoverty wages, \$20 billion in additional GNP, and the added public goods and services that 1.12 million additional public employees could produce.

Economic forecasts, especially those based on simple averages rather than detailed models, are always subject to wide margins of error. Moreover, there is a real trade-off between two important results of the policy we have outlined: the number of jobs developed and the degree of training imparted on the job. The greater the latter, the higher the overhead costs, so that for a given expenditure (such as \$10 billion per year), the fewer will be the number of jobs created. Nevertheless, a forecast of \$4.6 billion cost for a return of 2 million jobs and \$20 billion in additional goods and services (most of them "public" in nature) seems reasonable.

If that were achieved, the national unemployment rate would have been cut substantially. Its impact on underemployment would be much smaller (although existing low-wage private sector workers might find their competitive position improved somewhat by the expanded demand for unskilled labor in the public sector). But it would be a powerful start on "reordering of priorities."

A public employment program could be usefully combined with many other economic and manpower development policies. In 1970, the Supreme Court ruled (in *Griggs v. Duke Power Co.*) that educational credentials and written examination scores could no longer be used by employers as hiring instruments unless they could be shown to be statistically "valid," that is, significantly predictive of success on the job. The government might usefully combine a large-scale public employment program (which creates enough jobs to be able to allocate at least a portion to many different income and racial-ethnic groups) with a concerted effort at real civil service reform, aimed at eliminating the "credential barrier" that now locks so many disadvantaged workers out of government jobs.

Administrators of the public service employment program could give much-needed help to the community control/local economic development movement which is growing in black and white areas (rural as well as urban) by allowing Model Cities and Community Action agencies, community development corporations and rural cooperatives to become "prime sponsors" of federal job development grants. In this way, ghetto and poverty area residents would be employed to produce and deliver public services to the residents of *their* communities and to rebuild the "infrastructure"-- streets, lighting, power lines, sewers, subways--of *their* cities and towns.

Finally, planners might--and, we think, should--build into the employment program *from the start* a carefully structured on-the-job training component, so that those who are hired will be prepared (although not forced) to move "up and out" as other opportunities present themselves. This would also help to avoid the inflationary bottleneck which could be created by a shortage of skilled labor as the employment program drove the unemployment rate down below four percent.

A public service employment program of the scale proposed here would represent a qualitative shift of emphasis. Part of the "blame" for personal misery, frustration and lack of fulfillment would be shifted from the individual to the economic system, where it belongs. We would be moving in the right direction--the direction indicated so long ago at the base of the Washington Monument by Martin Luther King.



1 equal opportunities for useful paid employment at fair rates  
2 of compensation.

3 (b) The free exercise of this right by every American,  
4 irrespective of sex, age, race, color, religion, or national  
5 origin, is essential to personal liberties, individual develop-  
6 ment, the prevention of inflationary shortages and bottle-  
7 necks, and the well-being of families, organizations, the na-  
8 tional economy, and society as a whole.

9 (c) Only under conditions of genuine full employment  
10 and confidence in its continuation is it possible to eliminate  
11 the bias, prejudice, discrimination, and fear that have resulted  
12 in unequal employment under unequal conditions of women,  
13 older people, younger people, and members of racial, eth-  
14 nic, national, or religious minorities.

15 (d) To the extent that Americans may not be able to  
16 exercise this right, (1) the country is deprived of the larger  
17 supply of goods and services made available under conditions  
18 of genuine full employment, of the trained labor power pre-  
19 pared to produce needed goods and services, and of the  
20 larger tax revenues received at all levels of government, with-  
21 out any changes in tax rates, under conditions of genuine  
22 full employment, (2) inflationary shortages and bottlenecks  
23 are created, (3) the job security, wages, salaries, working  
24 conditions, and productivity of employed people are im-  
25 paired, (4) families are disrupted, (5) individuals are de-

1 prived of self-respect and status in society, and (6) physi-  
2 cal and mental breakdown, drug addiction, and crime are  
3 promoted.

4 (e) It is the responsibility of the Federal Government to  
5 enforce this right, to redress such past and present depriva-  
6 tions and impairments of this right to the maximum extent  
7 feasible, and to prevent such deprivations and impairments  
8 in the future by developing and administering such policies  
9 and programs as may be needed to attain and maintain gen-  
10 uine full employment.

11 (f) Such other national economic goals as price stability  
12 and a favorable balance of payments shall be pursued with-  
13 out qualifying, limiting, compromising, or undermining the  
14 rights and guarantees established in this Act.

15 THE FULL EMPLOYMENT AND PRODUCTION PROGRAM

16 The Economic Reports of the President

17 SEC. 3. (a) In his or her economic report to the Con-  
18 gress pursuant to the Employment Act of 1946, as amended  
19 (15 U.S.C. 1022), the President shall, with the assistance of  
20 the Council of Economic Advisers, transmit every year, and  
21 regularly revise and update every six months, a full employ-  
22 ment and production program, both long range and short  
23 range, which, in addition to the requirements of section  
24 1022 (a), of title 15, United States Code, shall set forth in  
25 summary and detail—

1           (1) the estimated volume of goods and services,  
2 both private and public, required to meet human and  
3 national needs, including but not limited to food, fibers,  
4 raw materials, energy resources, production facilities,  
5 housing, consumer goods, utilities, transportation, dis-  
6 tribution, communication, day care facilities, education,  
7 health, welfare, artistic and cultural activities, scien-  
8 tific and technological research, and general government  
9 services;

10           (2) the estimated levels and types of paid employ-  
11 ment, both part time and full time, required to provide  
12 the volume of goods and services set forth in paragraph  
13 (1) ;

14           (3) the estimated levels of expenditures for invest-  
15 ment, consumption, and other purposes, both private and  
16 public, needed to provide the levels and types of paid  
17 employment set forth in paragraph (2) ;

18           (4) whatever shifts in output, employment, and  
19 expenditure patterns, or appropriate expansions in de-  
20 sirable alternative activities or facilities, which may be  
21 required to facilitate necessary reductions and conver-  
22 sions in military and other industrial activities or facili-  
23 ties;

24           (5) a full and detailed review of actions attempted  
25 or accomplished under this Act and whatever changes

1 in administrative policies and legislation may be needed  
2 to achieve the objectives set forth in paragraphs (1),  
3 (2), (3), and (4) of this section; and

4 (6) a review of such related considerations as price  
5 levels, international trade, capital export and import,  
6 exchange rates, the concentration of economic power,  
7 the extent of monopolistic or oligopolistic control over  
8 various markets, and the level and distribution of in-  
9 come and wealth, and of wages, salaries, and property  
10 income.

#### 11 The Labor Reports of the President

12 (b) The annual manpower reports of the President  
13 (pursuant to 42 U.S.C. 2574) shall henceforth be called  
14 the Labor Reports of the President and, in addition to the  
15 requirements set forth in subsection (a) and in section 2574  
16 of title 42, United States Code, shall provide detailed atten-  
17 tion on a continuing and progressively analytical basis to—

18 (1) the changing volume and composition of the  
19 American labor supply, by major areas of the country,  
20 with special emphasis on the total number of people able  
21 and willing to work under varying conditions of remu-  
22 neration and suitability, the extent of various forms of in-  
23 voluntary unemployment and underemployment (in-  
24 cluding those not working or seeking to work but able  
25 and willing to work if suitable opportunities were pre-

1       sented, and those between jobs), estimates of recent,  
2       present, and prospective shortfalls in private and public  
3       employment opportunities, the impact of mobility and  
4       immigration, and the volume of national product lost by  
5       such waste or insufficient use of available labor power;

6               (2) the loss of productive labor power, together with  
7       associated lost production, as a result of discrimination  
8       on the basis of sex, age, race, color, religion, or national  
9       origin;

10              (3) the need for greater opportunities for part-time  
11       paid employment with related fringe benefits and job  
12       security protection;

13              (4) the implications of continuing full employment  
14       for possible increases in voluntary leisure for reductions  
15       in the daily, weekly, monthly, or annual hours of paid  
16       work, for flexible work schedules, for paid vacations and  
17       sabbaticals, and for more extensive combinations of edu-  
18       cation and employment;

19              (5) the associated problems of the nature and en-  
20       vironment of work, the quality of work, career oppor-  
21       tunities, productivity and related problems of work con-  
22       tent, job satisfaction, labor-management relations, and  
23       worker participation in employment decisions; and

24              (6) the national implications of the reservoirs of  
25       public service and private employment projects devel-

1       oped by the local planning councils under section 4 of  
2       this Act.

### 3                               LOCAL PLANNING COUNCILS

4       SEC. 4. (a) The Congress hereby recognizes that (1)  
5       the specific identification of local needs for additional goods,  
6       services, and employment opportunities can best be handled  
7       by local governments, communities, groups, and individuals,  
8       and (2) to carry out their functions under this Act, the  
9       President, the Secretary of Labor, and other officials and  
10      agencies of the Federal Government need the continuing  
11      input of ideas, proposals, advice, and criticism from local  
12      governments, communities, groups, and individuals.

13      (b) Section 104 of the Comprehensive Employment  
14      and Training Act of 1973 is amended to add a new para-  
15      graph to read as follows:

16      “In addition to its other functions and responsibilities,  
17      the planning council shall—

18              “(1) identify local needs for additional employment  
19              opportunities, and under guidelines to be established by  
20              the Secretary of Labor, shall select and plan projects to  
21              provide a reservoir of public service and private em-  
22              ployment projects to supplement available employment.  
23              Such projects shall include expanded or new goods and  
24              services that reflect the needs and desires of the local  
25              community, such as social services, community health

1 services, day care facilities, legal aid, public transit,  
2 housing, recreation, cultural activities, sanitation, and  
3 environmental improvement (including projects listed  
4 in clause 4 (c) (2) below) ; and

5 “(2) take part in monitoring and evaluating pro-  
6 grams under the Equal Opportunity and Full Employ-  
7 ment Act of 1976 in accordance with standards and  
8 criteria published by the National Institute for Full  
9 Employment and pursuant to guidelines established by  
10 the Secretary of Labor.”.

11 (c) Each Planning Council (established by section 104  
12 of the Comprehensive Employment and Training Act of  
13 1973 and herein referred to as “local planning council”)  
14 shall, pursuant to regulations of the Secretary, provide  
15 for—

16 (1) the establishment of community boards in com-  
17 munity or neighborhood areas which form a feasible  
18 and cohesive unit for supplying public service job oppor-  
19 tunities. Such community job boards (A) shall to the  
20 maximum extent feasible be elected by the residents of  
21 the community or neighborhood area and shall fairly  
22 represent all segments thereof; and (B) shall be subject  
23 to the supervision and review of the local planning coun-  
24 cils where they exist; and

25 (2) the establishment of community public serv-

1 ice work reservoirs through action of the community  
2 job boards. Such reservoirs shall include, but shall not  
3 be limited to, projects for (A) infrastructure construc-  
4 tion, repair, and maintenance, (B) assistance to any  
5 member or group of individuals mentioned in subsection  
6 5 (d), (C) construction, repair, or maintenance of public  
7 buildings, (D) combating drug abuse, (E) charitable  
8 and educational purposes, (F) public recreation, (G)  
9 juvenile delinquency prevention, (H) assistance to the  
10 elderly and disabled, (I) environmental control, and  
11 (J) such other purposes as the Secretary may des-  
12 ignate;

13 UNITED STATES FULL EMPLOYMENT SERVICE

14 SEC. 5. (a) The United States Employment Service  
15 shall henceforth be called the United States Full Employ-  
16 ment Service.

17 (b) In addition to its responsibilities under other stat-  
18 utes, the United States Full Employment Service under  
19 the general direction of the Secretary shall assist in the  
20 establishment of, in each labor market area in the country  
21 in conjunction with the local planning councils acting under  
22 section 4 (b), the reservoir of public service and private  
23 employment projects.

24 (c) A Job Guarantee Office is hereby created in the

1 United States Full Employment Office headed by a Job  
2 Guarantee Officer whose responsibility is to provide useful  
3 and rewarding employment for any American, able and  
4 willing to work but not yet working, unable otherwise to  
5 obtain work and applying to such office for assistance. The  
6 Job Guarantee Office shall carry out its responsibilities under  
7 this Act in connection with the implementation of subsection  
8 (e) upon the recommendation and approval of the local  
9 planning councils. Nothing in this Act shall preclude the  
10 Job Guarantee Office from contracting directly with the local  
11 planning councils for (1) the administration of individual  
12 public service and private employment projects or (2) the  
13 overall administration of all or any part of such projects  
14 within the jurisdiction of the local planning councils.

15 (d) Each Job Guarantee Office in carrying out its re-  
16 sponsibilities shall insure that among projects planned that  
17 adequate consideration be given to such individuals and  
18 groups as may face special obstacles in finding and holding  
19 useful and rewarding employment and shall provide or have  
20 provided through the coordination of existing programs spe-  
21 cial assistance including but not limited to counseling, train-  
22 ing, and, where necessary, transportaton and migration  
23 assistance. Such individuals and groups shall include (1)  
24 those suffering from past or present discrimination or bias on  
25 the basis of sex, age, race, color, religion, or national origin,

1 (2) older workers and retirees, (3) the physically or men-  
2 tally handicapped, (4) youths to age twenty-one, (5) poten-  
3 tially employable recipients of public assistance, (6) the in-  
4 habitants of depressed areas, urban and rural, (7) veterans  
5 of the Armed Forces, (8) people unemployed because of  
6 the relocation, closing, or reduced operations in industrial  
7 or military facilities, and (9) such other groups as the Pres-  
8 ident or the Congress may designate from time to time.

9 (e) For the purpose of drawing on the reservoir of  
10 public service and private employment projects and pro-  
11 viding employment opportunities to applicants, each Job  
12 Guarantee Office may, subject to the limitations specified in  
13 subsection (c)) enter into agreements with public agencies  
14 and private organizations operating on a profit, nonprofit, or  
15 limited-profit basis. Such agreements shall contain assur-  
16 ances that the agency or organization will—

17 (1) provide an annual independent audit to the  
18 Job Guarantee Office. Such agency or organization shall  
19 at all times make its records and books available to rea-  
20 sonable review by agents of the Job Guarantee Office;

21 (2) not discriminate on the grounds of sex, age,  
22 race, color, religion, or national origin in the administra-  
23 tion of any program encompassed within the agreement;

24 (3) observe the prohibitions contained in chapter

1 15 of title 5 of the United States Code (relating to  
2 political activities in federally funded projects) ; and

3 (4) submit an annual report to the Job Guarantee  
4 Office detailing its activities under the agreement.

5 (f) It is the responsibility of the Job Guarantee Office  
6 to insure that any person willing and able to work (a "job-  
7 seeker") is provided the opportunity to be employed at a  
8 suitable and comparable job (as defined in subsection  
9 6 (b) (2) below). For the purpose of fulfilling this responsi-  
10 bility the Job Guarantee Office shall, as appropriate—

11 (1) refer jobseekers to the private sector and  
12 general public sector employment placement facilities  
13 of the Full Employment Service (other than as supple-  
14 mented by this Act) ;

15 (2) directly refer jobseekers for placement in  
16 positions on projects drawn from the reservoir of public  
17 service and private employment projects, and

18 (3) register jobseekers in the standby Job Corps  
19 (as established in subsection 6 (a) below) .

20 The Secretary shall provide by regulation for procedures to  
21 assure that registration under clause (3) above shall occur  
22 upon presentation of the jobseeker to the Job Guarantee  
23 Office unless a placement process is begun under clause (1)  
24 or (2) above which presents a high probability of success  
25 within five days.

1 (g) For the purposes of this Act, any jobseeker who  
2 presents himself or herself in person at the Full Employment  
3 Office shall be considered prima facie “willing and able” to  
4 work. This specifically includes persons with impairments of  
5 sight, hearing, movement, coordination, mental retardation,  
6 or other handicaps. This subsection shall be implemented by  
7 the Job Guarantee Officer, pursuant to regulations issued by  
8 the Secretary. Such regulations shall provide for—

9 (1) an initial determination by the Job Guarantee  
10 Officer as to the jobseeker’s ability to work;

11 (2) compliance with section 703 of the Civil Rights  
12 Act of 1964;

13 (3) such administrative appeal procedures as may  
14 be appropriate to review such determination where ad-  
15 verse to the jobseeker;

16 (4) termination of such appeal procedures within  
17 thirty days; and

18 (5) placement of such jobseeker on the payroll of  
19 the Standby Job Corps pending such appeal or any ju-  
20 dicial review thereof.

21 (h) The district courts of the United States shall have  
22 jurisdiction of any action brought seeking relief pursuant to  
23 this Act, including injunctive, declaratory, and other forms  
24 of relief as well as damages. Any person deprived of rights

1 secured by this Act shall be entitled in an action brought  
2 against the United States to recover damages, together with  
3 costs and attorneys' fees.

4

#### STANDBY JOB CORPS

5 SEC. 6. (a) There is hereby established a Standby Job  
6 Corps which shall consist of jobseekers registered pursuant  
7 to clause 5 (f) (3) above. Such Corps shall be available  
8 for public service work upon projects and activities that are  
9 approved as a part of community public service work res-  
10 ervoirs established by community boards pursuant to sec-  
11 tion 4 (c) (2).

12 (b) The Secretary, by regulation, shall provide for—

13 (1) a requirement that jobseekers registered in the  
14 Standby Job Corps (hereafter called Corps members)  
15 maintain a status of good standing, which status shall  
16 include attendance and performance standards;

17 (2) a system of compensation for Corps members  
18 which shall:

19 (A) provide that Corps members shall receive  
20 a monthly rated sum based upon their employment  
21 at a suitable and comparable job (as defined pur-  
22 suant to paragraph (B) below);

23 (B) contain a definition of a "suitable and  
24 comparable job" which shall take into account,  
25 among other factors, the following:

1 (i) No Corps member shall be paid less  
2 than the minimum wage in effect in the area;  
3 and

4 (ii) Corps members shall receive com-  
5 pensation (a) that bears a positive rela-  
6 tionship to their qualifications, experience, and  
7 training; and (b) that is such that will ef-  
8 fectively encourage them (from an economic  
9 standpoint) to advance from the Corps to other  
10 employment;

11 (3) the fullest possible planning and operational  
12 control of the local Standby Job Corps program at the  
13 community and neighborhood level (consistent with 4  
14 (c) (1) (B) above);

15 (4) full and effective prohibition of (A) discrim-  
16 ination on grounds of sex, age, race, color, religion, or  
17 national origin and (B) improper political activity;

18 (5) reasonable oversight and reporting in respect  
19 to projects utilizing Corps members; and

20 (6) assurance that no activities undertaken pur-  
21 suant to this subsection shall adversely affect prevailing  
22 wage rates in the area.

## 1 CONGRESSIONAL JOINT ECONOMIC COMMITTEE

2 SEC. 7. (a) In addition to its responsibilities under the  
3 Employment Act of 1946, as amended (15 U.S.C. 1022),  
4 the Joint Economic Committee shall—

5 (1) annually review the activities of the executive  
6 branch under all sections of this Act;

7 (2) regularly conduct on its own behalf, or in  
8 cooperation with or through the facilities of the appro-  
9 priate legislative committees or subcommittees of the  
10 Senate and the House, public hearings in as many labor  
11 market areas as feasible, with special emphasis on  
12 opportunities for hearing petitions and complaints by  
13 individuals and groups who feel that they have been  
14 denied their rights to employment opportunities or have  
15 been injured directly or indirectly by policies and pro-  
16 grams designed to guarantee the exercise of rights; and

17 (3) annually report upon, with its own conclusions  
18 and recommendations, the development and administra-  
19 tion of the policies and programs mandated by this Act.

20 (b) (1) In addition to its responsibilities under subsec-  
21 tion (a), the Joint Economic Committee shall, within thirty  
22 days of the submission of the biyearly full employment and  
23 production program as required pursuant to subsection  
24 3 (a) —

1 (A) review such program and suggest whatever  
2 modifications the committee deems advisable;

3 (B) submit such modified program to the respec-  
4 tive Houses of the Congress, together with the com-  
5 mittee's comments on all parts thereof, including a justi-  
6 fication for all modifications made in the program as  
7 submitted by the executive;

8 (C) submit a recommendation to both Houses of the  
9 Congress as to the sums needed to be appropriated to  
10 finance such program as submitted pursuant to clause  
11 (B) above (hereafter called the employment deficit rec-  
12 ommendation).

13 (2) The full employment and production program, as  
14 modified pursuant to paragraph (1) above and as submitted  
15 pursuant to clause (b) (1) (B) above, and the employment  
16 deficit recommendation submitted pursuant to clause (b) (1)  
17 (C) above shall be forthwith referred to the Appropria-  
18 tions Committees of the respective Houses for a period of  
19 thirty days. Said committees shall (1) recommend appro-  
20 priations consistent with the employment deficit recommen-  
21 dation and (2) make such other recommendations as they  
22 deem advisable.

23 (3) At any time after the expiration of the thirty days  
24 specified in paragraph (2) above it shall be a highly privi-

1 leged motion in both Houses of the Congress that may be  
2 made by a Member of either body for the immediate consid-  
3 eration of the employment deficit recommendation of the  
4 Joint Economic Committee submitted pursuant to clause  
5 (b) (1) (C) above as a joint resolution of the respective  
6 body appropriating the sums specified in the employment  
7 deficit recommendation.

8 (4) After the making of the motion specified in para-  
9 graph (3) above, it shall immediately be in order to con-  
10 sider the recommendations made by the Appropriations Com-  
11 mittee pursuant to paragraph (2) above.

12 (5) Three legislative days after the making of the mo-  
13 tion specified in paragraph (3) above, there shall be upon  
14 motion made no further debate, amendments, or other pro-  
15 ceedings in regard to the employment deficit recommenda-  
16 tion and a vote on all pending amendments and final passage  
17 shall be ordered forthwith.

#### 18 STAGES OF IMPLEMENTATION

19 SEC. 8. (a) The Congress hereby recognizes that (1)  
20 the full objectives of this Act cannot be attained immediately  
21 upon its enactment, (2) considerable time will be needed  
22 to develop the Full Employment and Production Program,  
23 the research work under the National Institute for Full Em-  
24 ployment, the local planning councils, the community boards,  
25 the Community Public Service Work Reservoirs, the Standby

1 Jobs Corps, the Reservoirs of Public Service and Private  
2 Employment Projects, the United States Full Employment  
3 Service, the Job Guarantee Offices, and the additional re-  
4 sponsibilities of the Congressional Joint Economic Commit-  
5 tee, and (3) the implementation of the Act therefore must  
6 be accomplished in a series of stages.

7 (b) The President is authorized and directed to provide,  
8 by regulation, guidelines, and otherwise, for the full imple-  
9 mentation of this Act by the end of the fifth calendar year  
10 after its enactment, at which time the provisions of subsec-  
11 tions 5 (g) and (h) shall enter into effect. This subsection  
12 shall not be construed to prevent the President from effecting  
13 full implementation of this Act by an earlier date, including  
14 the provision of the entering into effect of subsections 5 (g)  
15 and (h) by such earlier date.

16 (c) It is the policy of the Federal Government that the  
17 full objectives of this Act be attained no later than the end  
18 of the fifth calendar year after its enactment, and toward this  
19 end the Full Employment and Production Programs sub-  
20 mitted to the Congress by the President shall include his or  
21 her specific quantitative and qualitative targets spelling out  
22 these objectives, and the local job councils shall spell out  
23 similar quantitative and qualitative targets for their respec-  
24 tive geographical areas.

## 1 NATIONAL INSTITUTE FOR FULL EMPLOYMENT

2 SEC. 9. (a) The Congress hereby recognizes that (1) in  
3 the absence of genuine full employment, as defined in this  
4 Act, many Federal policies and programs have been based on  
5 the presumption of the continuing lack of suitable employ-  
6 ment opportunities for large numbers of people able and  
7 willing to work, and (2) to carry out their functions under  
8 this Act, the President, the Secretary of Labor, the local  
9 planning councils, the community boards, the Job Guarant-  
10 tee Offices, the Full Employment Service, and the Congres-  
11 sional Joint Economic Committee need the support of long-  
12 range, continuing, serious, and objective studies of the many  
13 changes required in such Federal policies and programs to  
14 gear them more closely to the Full Employment and Pro-  
15 duction Program, its continuing adjustment and improve-  
16 ment, and its implementation.

17 (b) To develop and administer a long-range program of  
18 such studies, there is hereby established a National Institute  
19 for Full Employment (hereinafter referred to as the "Insti-  
20 tute") within the Department of Labor, under a director to  
21 be appointed by the Secretary of Labor, and to operate in  
22 continuing consultation with a National Commission for Full  
23 Employment Policy Studies.

24 (c) The Director of the Institute shall—

1           (1) serve for a term of three years but shall be  
2 removable, with or without cause, by the Secretary;

3           (2) be compensated at the rate provided for grade  
4 18 of the General Schedule set forth in section 5332 of  
5 title 5, United States Code. The position created by this  
6 subsection shall be in addition to the number of positions  
7 placed in grade 18 of the General Schedule under section  
8 5108 of title 5, United States Code;

9           (3) appoint a Deputy Director of the Institute; and

10          (4) appoint, for terms not to exceed three years,  
11 without regard to the provisions of title 5 of the United  
12 States Code governing appointment in the competitive  
13 service and may compensate without regard to the pro-  
14 visions of chapter 51 and subchapter III of chapter  
15 53 of such title relating to classification and General  
16 Schedule pay rates, such technical or professional em-  
17 ployees of the Institute as he deems necessary to accom-  
18 plish its functions and also appoint and compensate  
19 without regard to such provisions not to exceed one-fifth  
20 of the number of full-time, regular technical or profes-  
21 sional employees of the Institute.

22          (d) The National Commission for Full Employment  
23 Policy Studies shall—

24           (1) be composed of fifteen members, which shall

1 be broadly representative of labor, business, education,  
2 the social and natural sciences, the humanities, local  
3 planning councils, community boards, the professions,  
4 and the general public and which shall include the  
5 Chairman of the Council of Economic Advisors as an  
6 ex officio member. The members shall be appointed  
7 by the Secretary for terms of four years and shall serve  
8 at the pleasure of the Secretary;

9 (2) be provided an executive secretary and other  
10 needed staff by the Secretary. The Secretary shall also  
11 pay the members of the Commission per diem, travel,  
12 and other necessary expenses, together with compensa-  
13 tion at a rate not exceeding \$100 per day while perform-  
14 ing the business of the Commission;

15 (3) meet at least once every three months and at  
16 such other times as requested by the Director or the  
17 Secretary;

18 (4) choose a Chairman and such other officers as  
19 required to perform its business;

20 (5) advise and consult with the Director in respect  
21 to all programs and activities conducted pursuant to this  
22 section;

23 (6) regularly consult with the Council of Economic  
24 Advisers; and

1           (7) perform such other functions as are assigned  
2           by the Secretary or by the Director.

3           (e) The Institute is authorized and directed to make, or  
4           have made through grants to or contracts with individual  
5           researchers and private or public research organizations, uni-  
6           versities, and other Government agencies, studies that shall  
7           include, but need not be limited to, such subjects as—

8           (1) the policies and programs needed to reduce  
9           whatever inflationary pressures may result from full em-  
10          ployment, to manage any such inflationary pressures  
11          through appropriate fiscal policies and indirect and direct  
12          controls, and to protect the weaker groups in society  
13          from whatever inflationary trends cannot be avoided or  
14          controlled;

15          (2) the identification of human potentialities that  
16          are hidden, undeveloped, or underdeveloped because of  
17          the lack of suitable job opportunities, encouragement,  
18          education, or training and of various ways of releasing  
19          such potentialities;

20          (3) the forms of education and training needed to  
21          help provide people with the skills, knowledge, and  
22          values required by existing employment opportunities  
23          and technologies and needed to assist in developing such  
24          new types of goods, services, technologies, and employ-  
25          ment opportunities as may better meet human needs;

1           (4) the policies and programs needed to substan-  
2           tially eliminate substandard employment, wages, and  
3           working conditions and the techniques for establishing  
4           standards for employment, wages, and working condi-  
5           tions in accordance with changing levels of national  
6           output and resources, and regional variations in output,  
7           resources, and other relevant factors;

8           (5) the improvement of the quality of employment,  
9           in both the private and the public sectors, in terms of  
10          (a) satisfactions for employees, (b) the efficiency and  
11          productivity of work done, and (c) the satisfactions of  
12          clients for and consumers of the goods or services  
13          provided;

14          (6) such policies and programs as may be needed  
15          to enable small and independent business enterprises to  
16          benefit from the provisions of this Act and protect them  
17          against any unfavorable consequences that may result  
18          from actions taken to implement it;

19          (7) alternative organizational forms and operating  
20          methods for the local planning councils mandated under  
21          section 4, as well as additional methods of encouraging  
22          participatory and decentralized planning of employment  
23          policies and programs;

24          (8) the standards and criteria to be used by the

1 local planning councils (pursuant to section 4 (b) (2) )  
2 to monitor and evaluate programs under this Act ;

3 (9) the problems of the special priority individuals  
4 and groups referred to in section 5 (d) ;

5 (10) the integration of existing programs of welfare  
6 assistance, income maintenance, and unemployment  
7 compensation with the payments made to people under  
8 section 6 of this Act ;

9 (11) improved methodologies for conducting studies  
10 in all such areas, with special attention to the methodo-  
11 logical problems involved in utilizing skills and tech-  
12 niques that may transcend established disciplinary bound-  
13 aries; and

14 (12) a comprehensive program for such economic  
15 and social indicators, both quantitative, and qualitative,  
16 as may be needed for the continuous and objective  
17 monitoring of basic economic and social trends in the  
18 performance, structure, and environment of the American  
19 economy and society.

20 (f) In developing this program the Institute shall en-  
21 courage divergent approaches to each area of policy study,  
22 shall keep the local planning councils informed on the na-  
23 ture of research in process and shall disseminate widely the  
24 results of all completed research.

1

## GENERAL PROVISIONS

2

## Nondiscrimination

3

SEC. 10. (a) No person in the United States shall on  
4 the ground of sex, age, race, color, religion, or national ori-  
5 gin be excluded from participation in, be denied the benefits  
6 of, or be subjected to discrimination under any program or  
7 activity funded in whole or in part with funds made avail-  
8 able under this Act.

9

## Labor Standards

10

(b) (1) All laborers and mechanics employed by con-  
11 tractors or subcontractors in any construction, alternation, or  
12 repair including painting and decorating or projects, build-  
13 ing, and works which are federally assisted under this Act,  
14 shall be paid wages at rates not less than those prevailing on  
15 similar construction in the locality as determined by the Sec-  
16 retary in accordance with the Davis-Bacon Act, as amended  
17 (40 U.S.C. 276-276a-5). The Secretary of Labor shall  
18 have, with respect to such labor standards, the authority and  
19 functions set forth in Reorganization Plan Numbered 14 of  
20 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the  
21 Act of June 1, 1934, as amended (48 Stat. 948, as amended;  
22 40 U.S.C. 276 (c)).

23

(2) The Job Guarantee Office shall not enter into any  
24 agreement under section 5 of the Act nor shall it develop any  
25 project for the reservoir of public service and private em-

1 ployment projects until it has determined that such agree-  
2 ment or project shall provide—

3 (A) that appropriate standards for the health,  
4 safety, and other conditions applicable to the perform-  
5 ance of work and training on any project are established  
6 and will be maintained;

7 (B) appropriate workmen's compensation protec-  
8 tion; and

9 (C) assurances that the project will not result in  
10 the displacement of employed workers or impair existing  
11 contracts for services or result in the substitution of Fed-  
12 eral for other funds in connection with work that would  
13 otherwise be performed.

#### 14 DEFINITIONS

15 SEC. 11. For the purposes of this Act—

16 (1) "Adult Americans" refers to all citizens and perma-  
17 nent residents of the United States who are sixteen years  
18 of age or older, plus such younger age groups as may  
19 be expressly included by local, State, or Federal law and  
20 implemented by administrative regulations under this Act.

21 (2) "Full employment" is a situation under which  
22 there are useful and rewarding employment opportunities  
23 for all adult Americans able and willing to work.

24 (3) "Able and willing to work" means possessing the

1 capacity and motivation to perform for pay productive tasks  
2 creative of a useful social product.

3 (4) "Opportunity" refers to an available and feasible  
4 choice.

5 (5) "Fair rates of compensation" refers to remuneration  
6 at wages reflecting regional levels of compensation, statutory  
7 minimum wages, or those wages established by prevailing  
8 collective-bargaining agreements, whichever is highest, and  
9 under working conditions consistent with trade union or pre-  
10 vailing standards, whichever is higher.

11 (6) "Secretary" refers to the Secretary of Labor.

12 **AUTHORIZATIONS**

13 **SEC. 12.** There is hereby authorized to be appropriated  
14 for the fiscal year ending on June 30, 1977, and for each  
15 succeeding fiscal year such sums as may be needed to carry  
16 out the various sections of this Act.

93<sup>rd</sup> CONGRESS  
2<sup>D</sup> SESSION

**H. R. 15476**

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**A BILL**

To establish a national policy and nationwide machinery for guaranteeing to all adult Americans able and willing to work the availability of equal opportunities for useful and rewarding employment.

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**By Mr. HAWKINS and Mr. REUSS**

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JUNE 19, 1974

**Referred to the Committee on Education and Labor**